



# **NAVAL POSTGRADUATE SCHOOL**

**MONTEREY, CALIFORNIA**

## **THESIS**

**DEMOCRACY IN A POST-CASTRO CUBA?**

by

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December 2004

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**DEMOCRACY IN A POST-CASTRO CUBA?**

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Submitted in partial fulfillment of the  
requirements for the degree of

**MASTER OF SCIENCE IN DEFENSE ANALYSIS**

from the

**NAVAL POSTGRADUATE SCHOOL  
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## ABSTRACT

This thesis discusses key aspects of the democratization process in post-Castro Cuba following a destructive and chaotic transition of power. The theories of leading democracy and economic theorists are applied to the post-Castro conflict scenario as relevant issues to be addressed by a new Cuban government and the United States in a Cuban transition to democracy. Additionally, the ongoing U.S. efforts in Iraq provided a unique window of opportunity for further scrutiny of democratization theory as select lessons learned from the rebuilding of Iraq are compared to the future democratic transition of Cuba. Even though this thesis took this unique perspective in the democratic transition environment, the resulting research and analysis supported existing theories about the intertwining of political and economic development. The major distinction appears to be the need for greater flexibility in the process, post-conflict, due to the ambiguity involved. What needs to be fixed or rebuilt in Cuba will depend on the severity of damage to the political and economic infrastructure. The theorists selected have been helpful in opening doors for what is relevant during the rebuilding and democratization process, but as was expected, there is not a definitive process to achieving democracy and a free-market economy.

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## **I. INTRODUCTION**

### **A. PURPOSE**

This thesis discusses the possibility of democratization in a post-Castro Cuba following a destructive and chaotic transition of power. A post-Castro Cuban conflict scenario is only one possible scenario, but it could be one of the more costly scenarios the United States may face politically, economically, and militarily. Within this scenario, it is envisioned that wide spread destruction will leave thousands of Cubans homeless and without basic necessities such as food, water, electricity, transportation, and healthcare. Roving gangs will likely loot businesses and government infrastructure, anything of value will be pilfered as a means of survival or out of sheer anger about the current circumstances as was seen in Iraq and Haiti. Economic and political elites will fight to protect their interests until it is no longer a viable course of action, then they will flee the island taking with them many of Cuba's valuable assets. Following this turmoil, the United States could be called to assist a Cuba that no longer has a functioning government, lacks the basic items needed for its people's survival, and has no strategic vision for the future.

While much is written about the removal of Castro, few authors have looked at Cuba from a post-conflict democratization perspective. Understanding this lack of emphasis, the essence of this thesis is to apply the theories of leading democracy theorists to a post-Castro Cuban conflict scenario. The selected work of these theorists is posed as the relevant points that must be addressed by a new Cuban government and/or a supportive United States government for a transition to democracy. The underlying intent is not to provide a systematic process by which to transform Cuba into a democracy, but to give those responsible for nation building in a post conflict Cuba some key factors that need to be addressed to support a transition to democracy.

A democratic Cuba is truly a relevant issue to the United States when you consider the amount of money and man-hours invested in the succession of Castro. For example, in May 2004 the Commission for Assistance to a Free Cuba produced a 423-page report for the President that specifically states in the Forward by Secretary of State Colin Powell that, "Our goal is a true democratic transition. We want to help the Cuban

people put Castro and Castroism behind them forever.”<sup>1</sup> It is remarkable that such an in-depth analysis was conducted simultaneous to the United States’ heavy engagement, both politically and militarily, in Afghanistan and Iraq. Yet, when you realize that the United States has invested forty years in sanctions and embargoes against Cuba, the commission’s work does not seem that far fetched at such a chaotic time in our history. Democracy in Cuba is an issue that will be on the U.S. political agenda for many years to come, especially with the strong lobbying power of the Cuban American immigrant population. Secretary Powell specifically states, “In Cuba’s transition to democracy, we envision and welcome an active role for the Cuban American community.”<sup>2</sup>

Another issue that brings Cuba to a higher level on the U.S. political agenda is Castro’s longevity. After forty-five years in power and at seventy-eight years of age, Castro’s durability is in question more and more often, especially after his recent fall that fractured his arm and his knee in eight places at a public event.<sup>3</sup> The odds of a regime change in Cuba are increasing and the United States needs to prepare for its role in this transition, no matter what form this change may take.

As another point of analysis, the U.S. involvement in Iraq provides a substantial test bed for further scrutiny of democratization theory. Not that Iraq is the only conflictive transition in recent years, but unlike Romania, Cuba is a possible conflict scenario where the United States is very likely to be involved and like Iraq, there is a substantial amount of arms, ideology, and military training that could fuel resistance to U.S. intervention. While limited work has been done on Cuba conducting a democratic transition following a conflict, even less work has been done comparing Cuba to Iraq. The ongoing operations in Iraq provide a window of opportunity for an in-depth study of democratization theory for future application to a transitioning Cuba. Select lessons learned from the rebuilding of Iraq, quite possibly, can provide a strategic vision of what can be expected in Cuba. While the situation in Iraq will surely be markedly different from what might occur in Cuba, the two countries still have several similarities.

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<sup>1</sup> Powell, Colin L. (2004). Commission for Assistance to a Free Cuba: Report to the President. Washington, D.C. Forward.

<sup>2</sup> Powell, Forward.

<sup>3</sup> Castro Says He Stayed in Charge After Fall. (2004, October 22). The Associated Press. [Newspaper, article in archives]. Retrieved October 23, 2004, from the World Wide Web: <http://www.nytimes.com>.

Especially when you consider that, both countries have suffered through decades of authoritarian rule under a single autocratic ruler and deep seeded nepotism. Furthermore, the economies of both countries have been largely based for decades on a single resource, oil in Iraq and sugar in Cuba. At the very least, Iraq can provide an interesting lens through which to see the challenges a regime transition will create for the Cubans, Cuban expatriates, and the U.S. Government.

By no means can this single thesis resolve all the issues that will confront U.S. nation building efforts in Cuba, but at a minimum, the aim is to identify important issues the United States and the Cubans might face. We, as a nation, cannot permit ourselves to stand back and watch a post-Castro Cuba slip into a political malaise like the one we have helped to create in Haiti. The United States has too much invested in the democratization of Cuba and there is too much interest within the Cuban American population to let Cuba slip through the cracks. We are quickly approaching the apex of our window of opportunity with Cuba and there must be a well-planned effort prepared to support the Cuban people when the time comes for democratization.

## **B. DEFINITIONS, ASSUMPTIONS, AND METHODOLOGY**

At this point in history, there has yet to be a government official or academic scholar who has discovered a definitive path to democracy. Democracy theorist Terry Karl states, “The search for causes rooted in economic, social, cultural/psychological, or international factors has not yielded a general law of democratization, nor is it likely to do so in the near future despite the proliferation of new cases.”<sup>4</sup> As Karl implies there is no set of steadfast rules on how a country will democratize, but there are key indicators that are telling as to whether a country has the potential for success.

First, democracy must be defined so that there is a common understanding of what Cuba will likely seek to achieve. Terry Karl’s middle range definition of democracy is the basis from which Cuba’s potential transition will be measured for this thesis. Democracy according to Terry Karl is defined as:

A set of institutions that permits the entire adult population to act as citizens by choosing their leading decision makers in competitive, fair, and regularly scheduled elections which are held in context of the rule of law,

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<sup>4</sup> Karl, Terry L. (1990). Dilemmas of Democratization in Latin America. Comparative Politics, Volume 23, 1. 5.

guarantees for political freedom, and limited military prerogatives. Specified in this manner, democracy is a political concept involving several dimensions: (1) contestation over policy and political competition for office; (2) participation of the citizenry through partisan, associational, and other forms of collective action; (3) accountability of rulers to the ruled through mechanisms of representation and the rule of law; and (4) civilian control over the military.<sup>5</sup>

As with any definition of democracy, Karl's definition does not encompass the entire transition and consolidation process. Thus, given Karl's definition of democracy, Linz and Stepan list five interconnected and mutually reinforcing conditions that must be present, or crafted, in order for a democracy to consolidate.

First, the conditions must exist for the development of free and lively civil society. Second, there must be a relatively autonomous political society. Third, throughout the territory of the state all major political actors, especially the government and the state apparatus, must be effectively subjected to a rule of law that protects individual freedoms and associational life. Fourth, there must be a state bureaucracy that is usable by the democratic government. Fifth, there must be an institutional society.<sup>6</sup>

Equal in importance to the definition of democracy is the mode of transition to democracy that a nation takes. This mode of transition is important because as Karl states,

The arrangement made by key political actors during a regime transition establish new rules, roles, and behavioral patterns, which may or may not represent an important rupture with the past. These, in turn, eventually become the institutions shaping the prospects for regime consolidation in the future. Electoral laws, once adopted, encourage some interests to enter the political arena and discourage others. Certain models of economic development, once initiated through some form of compromise between capital and labor, systematically favor some groups over others in patterns that become difficult to change. Accords between political parties and the armed forces set out the initial parameters of civilian and military spheres. Thus, what at the time may appear to be temporary agreements often become persistent barriers to change.<sup>7</sup>

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<sup>5</sup> Karl, 2.

<sup>6</sup> Linz, Juan J. & Stepan, Alfred. (1996). Toward Consolidated Democracy. Journal of Democracy, Volume 7, 2, 17.

<sup>7</sup> Karl, 8.



Karl differentiates the modes of transition between those that are “the outcome of a strategy based primarily on overt force” as opposed to those in which “democracies arise out of compromise.” Karl further distinguishes between transitions in which “incumbent ruling groups...are still ascendant in relation to mass actors and those in which mass actors have gained the upper hand...vis-à-vis those dominant elites.” From his study, Karl produced four ideal types of democratic transition, reform, revolution, imposition, and pact. However, based on a revolution or imposition scenario, as is proposed below, revolutions generally produce stable forms of governance, but are slow to evolve. Karl states, “...revolutionary transitions tend to result in one-party dominant democracies, where competition is also regulated.”<sup>8</sup> While imposition tends to produce stable forms of governance, it often leads to short-lived regimes that are dependent on the imposing element and whatever popular support they can garner before, during, and after the transition of power.<sup>9</sup> Karl specifically states, “...democratization by imposition is likely to yield conservative democracies that can not or will not address equity issues. To the extent that imposition from outside, however, the result is likely to be some form of electoral authoritarian rule, which can not be considered democracy at all.”<sup>10</sup>

Remaining within the framework that Karl provides and the conditions that Linz and Stepan outline, this thesis will analyze these factors as they relate to Cuba’s transition to democracy. The factors Karl, Linz, and Stepan discuss, only define a few of the parameters that are required for this analysis. Therefore, some assumptions have to be made about a Cuba in transition to arrive at the point that Cuba is a blossoming democracy.

First, where is Castro in this equation? What happens to Castro is not that important for the purpose of this thesis, but the collapse of his regime does form the basis of an assumption about the potential for democratic transition. While the United States has planned or attempted to overthrow the Castro regime, Ernesto Betancourt outlines the five most likely causes of demises for the regime:

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<sup>8</sup> Karl, 15.

<sup>9</sup> Karl, 8-9.

<sup>10</sup> Karl, 15.

1. Indefinite continuation of the Castro regime, leading to a transition under Castro's terms at the end of his rule through natural death.

2. A peaceful transition overseen by Castro similar to what happened under Pinochet in Chile on the right or under the Sandinista in Nicaragua on the left.

3. A coup d'état, once a winning coalition of the repressive forces under the Ministry of the Interior and the armed forces under the Ministry of the Revolutionary Armed Forces comes to the conclusion that there is less risk to their long term interests in ending Castro's regime than in its continuation.

4. A revolutionary explosion, once in-satisfaction among the population, including elements from the dissidents and those who apparently support the regime, reaches a point that it exceeds the perceived deterrent of the overwhelming repressive capacity of the regime.

5. A United States intervention provoked either by Castro, because he becomes convinced that outcome (1) is no longer feasible and it is a preferable end for his coveted place in history than through outcomes (2), (3), or (4), or by the influence on a naïve U.S. administration of the more reckless elements in the exile community who realize their only way to reach power in Cuba no matter what the cost.<sup>11</sup>

Based on Betancourt's predictions, the following assumptions are made. If outcome (1) occurs, it is unlikely that the relationship between the United States and Cuba will change that much from the way it is now with Raul Castro as Fidel's successor. If outcomes (2) or (3) occur, then Cuba and the United States may be more open to cooperating with one another, but a desire for a transition to democracy will have to be displayed by the new Cuban leadership before the United States will volunteer its support. This support will be dependent upon the new Cuban government meeting the requirements of the Cuban Liberty and Democratic Solidarity Act of 1996, which includes legalizing all political activity, releasing all political prisoners, publicly committing to organizing free and fair elections within eighteen months, and barring

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<sup>11</sup> Betancourt, Ernesto F. (1997). Cuba: Bringing the Background to the Foreground. Washington, D.C.: The Free Center of Freedom House. 8-9.

Fidel and Raul Castro from any role in the government.<sup>12</sup> If outcomes (4) or (5) occur, then the need for a change to the U.S./Cuba relationship is an inherent necessity. Under outcomes (4) and (5) the United States would be obligated, based on the previous history between the two nations and the powerful Cuban exile lobby in the United States, to assist immediately in Cuba's transition to democracy, as the Cuban people's need for assistance would be substantial following the probable violent military conflict on the island. Outcomes (4) and (5) will likely result in the destruction of key government infrastructure, failure of the Cuban government to provide basic necessities, destruction or pillaging of private enterprises, international aid organizations overwhelmed by needs of the Cuban populace, distrust of former government officials, and acts of reciprocity between pro- and anti-Castro factions. With outcome (5) much of this destruction will likely be the result of confrontations between hard core Castro followers in the Cuban military and U.S. military forces. However, outcome (4) is considerably less predictable as to which part of Cuban society initiates the revolutionary explosion. The revolutionary leaders could come from Cuba's universities where revolutionary thought often originates, from disenfranchised members of the Castro regime, from general dissatisfaction among the population, or external forces such as the Cuban-American immigrant population could initiate a revolution. Therefore, a working assumption for this thesis is that Cuba's transition to democracy, worst case, will not be peaceful, probably along the lines of outcomes (4) or (5), perhaps even on a scale of devastation similar to what was observed in post-World War II Europe or Iraq post-Saddam Hussein.

A corollary assumption is that there will be some opposition to U.S. involvement from within Cuba. As the dust of outcomes (4) and (5) settles following the violence between pro-Castro forces and those elements opposing the Castro government, the pro-democracy factions will have gained the initiative either independent of U.S. support or with limited support. However, opposition will likely emanate from the surviving hardliners of the Castro regime and economic elites who fear the potential loss of their power and influence under a democratic system. This opposition movement may channel its efforts through non-violent means or they may continue with violent acts, as this may

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<sup>12</sup> Cuban Liberty and Democratic Solidarity (Libertad) Act of 1996. (1996, March 12). Public Law 104-114, 104<sup>th</sup> Congress. Washington, D.C. 110 STAT. 811-812.

appear to be their only way to control the political process. In either case, the Cubans acceptance of democracy is not expected with equal enthusiasm.

Regardless of what level of opposition there is from pro-Castro factions, a further assumption is that there have to be elements within the Cuban populace that are willing to pursue democratic reforms, no matter what the personal cost. Hungry for change after four decades of oppression, these Cubans will step forward in the dawning hours of democratization and make their voices heard. With the support of the Organization of American States and the United States, this element of the populace is what will form the building blocks of a democratic Cuba.

Moving forward with this analysis, there is the realization that no set of parameters are etched in stone for the correct process of democratization, nor is there an absolute set of prerequisites that must be completed for democracy to flourish. Only Linz and Stepan have been able to provide conditions for consolidation with their five interconnected and mutually reinforcing conditions that must be present, or crafted, in order for a democracy to consolidate. From a U.S. Army Civil Affairs Officer perspective, there is the United States Army John F. Kennedy Special Warfare Center and School *Political-Military Analysis Handbook* with its sixteen points of analysis for study of a country in transition. The sixteen points of analysis for a country or region include history, natural environment, regional perspective, foreign influence, national interests, ideology, political systems, political economy, role of the military, leadership, elites, cultural environment, religion, ethnicity, technology, and the media.<sup>13</sup> A complete analysis of all sixteen areas would fill volumes of text, so the scope of analysis for this thesis has to be limited to a few key points. With the understanding of democratization as outlined above by Karl and his peers, the assumption that the United States will most likely assist Cuba in a worst-case scenario, after a bloody and devastating internal conflict, the remainder of this thesis will take a two pillar methodological approach.

A study of Cuban politics and governance will form one pillar, while Cuban economics will form the second. Donald Snow has aptly defined this relationship between these two facets of development in the following manner:

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<sup>13</sup> Political-Military Analysis Handbook. (2000, August). United States Army John F. Kennedy Special Warfare Center and School. Fort Bragg, NC: U.S. Army. Table of Contents.

The relationship between political and economic development is intimate and reciprocal. Political democracy creates the freedom and openness in which economic enterprises flourishes; this, in turn, helps create a willing, self-interested, self-motivated work force that nurtures economic prosperity. However, democracy unaccompanied by economic well-being will remain fragile and tentative. Economic well-being provides the nurturing ground of contentment and the seedbed for further political growth. The two phenomena together form the long-term foundation for stability.<sup>14</sup>

As Snow states, there is a definite intertwining of political and economic development. Based on this intertwining of politics and economics, Sections II and III of this thesis are divided between politics and economics such that they form the two pillars supporting the central argument. In Section II, the emphasis is on democratic reform and is devoted to exploring/outlining the governance aspects of a Cuban transition to democracy. In Section III, the emphasis is on economic reform and is devoted to exploring/outlining the economic aspects of a Cuban transition to democracy. Within these two sections, U.S. involvement in Cuban affairs and Cuban resentment over political and economic conditions under Castro receive special emphasis. These two sections represent the core of the thesis.

Karl's dimensions of democracy as a political concept form the basis of analysis within the democratic reform pillar. Karl again defines dimensions of democracy as: (1) contestation over policy and political competition for office; (2) participation of the citizenry through partisan, associational, and other forms of collective action; (3) accountability of rulers to the ruled through mechanisms of representation and the rule of law; and (4) civilian control over the military.<sup>15</sup> These four dimensions form the stepping off point for exploration of a democratic Cuba.

The analysis for the second pillar, economic reform, is based on the ten points of the "Washington Consensus," which are as follows: fiscal discipline, public expenditure priorities, tax reform, exchange rates, property rights, deregulation, trade liberalization,

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<sup>14</sup> Snow, Donald M. (1997). Distant Thunder: Patterns of Conflict in the Developing World. Armonk, New York: M. E. Sharpe, Inc. 202.

<sup>15</sup> Karl, 2.

privatization, foreign direct investment, and financial liberalization.<sup>16</sup> While the Washington Consensus and its originator, John Williamson, have spawned considerable controversy, the ten policy instruments Williamson presented as the Washington Consensus in 1989 still provide excellent points of analysis for the economic development of a democratic Cuba.<sup>17</sup> Even though the implementation of all ten points has not proven to be as effective in Latin America (LA) as many had hoped in the Washington, D.C. of the early 1990s, the use as points of analysis of Cuba provides a clearer picture of what is needed to create a viable economy in a newly democratic Cuban nation. By building this knowledge of Cuba from an economic perspective and with the fifteen years of experience gained since the Washington Consensus was first developed, the probability of success is greatly improved for a free and democratic Cuba, accepting the previous assumptions. As a note of clarification, dollar values throughout this thesis are not adjusted for inflation unless otherwise stated.

The remaining fourteen areas of analysis from the Political-Military Analysis Handbook will still be touched upon, but only to a limited degree. This is by no means to suggest that the other areas are insignificant, but it is done to keep the scope of this work within manageable limits. For example, the introductory section not only offers the definitions, assumptions, and methodology being used, but the next three parts of Section I offer an overview of Cuba's history, natural environment, foreign influence, national interests, ideology, leadership, military, ethnic make-up, and technological sophistication. The background information is provided to give a broader perspective on Castro's communist revolution and to explain why the United States even has a casual interest in Cuba.

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<sup>16</sup> Williamson, John. (2002, November 6). Did the Washington Consensus Fail? Institute for International Economics. Retrieved August 4, 2004, from the World Wide Web: <http://www.iie.com/publications/papers/williamson1102.htm>.

<sup>17</sup> Washington Consensus. Global Trade Negotiations Home Page: Center for International Development at Harvard University. Retrieved August 4, 2004, from the World Wide Web: <http://www.cid.harvard.edu/cidtrade/issues/washington.html>. John Williamson Says, "Audiences the world over seem to believe that this signifies a set of neoliberal policies that have been imposed on hapless countries by the Washington-based international financial institutions and have led them to crisis and misery. There are people who cannot utter the term without foaming at the mouth."

### C. CUBA'S COLONIAL PAST AND ITS RELEVANCE TODAY

For a short period in the sixteenth century, Cuba was on the tip of the spear for European expansion into the Western Hemisphere. Since that time, Cuba's relevance in the world and Western Hemisphere has dwindled considerably. In the following section, which is drawn from James Rudolph's *Cuba: A Country Study*, these aspects of Cuba's history and its sometimes-volatile relationship with the United States are discussed to give perspective on why the two nation's relationship has so evolved.

Christopher Columbus first landed in Cuba on October 29, 1492 during his first voyage to the New World, but it was not until 1511 that Spain decided to look for gold on the island. Following pacification of the island's natives in 1513, the conqueror Diego Velasquez began establishing settlements, which included Havana. By 1530, the search for greater wealth in Mexico and Peru caused many settlers to depart, leaving Cuba sparsely populated. In time, Havana was transformed into an important port city that supplied the fleets carrying gold bullion between the New World and Spain.<sup>18</sup>

Havana maintained its importance as the chief port in Spain's overseas empire for 200 years and eventually become the capital of Cuba in 1589. Other than the city of Havana, Cuba remained of little interest to Spain throughout the seventeenth century. During this time, corrupt and incompetent administrators turned Cuba into a haven for bandits, smugglers, and prostitutes.<sup>19</sup>

Once Cuba's gold deposits were exhausted, copper remained its only mineral resource of any worth. Additionally, once gold was no longer a viable source of income, the main economic activity had transitioned to cattle raising with free roaming herds all across the island. While Cuba's potential as a producer of sugar and tobacco could have been a more profitable venture, the cultivation of yucca, used to make cassava flour for the production of dried meat and bread that was supplied to the Spanish fleet, was the prominent agricultural economic activity during the early sixteenth century.<sup>20</sup>

In the middle of the sixteenth century, colonists began to rely on the slave trade for the operation of mines and plantations because the native inhabitants were nearly

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<sup>18</sup>Rudolph, John D. (Ed.). (1985). *Cuba: A Country Study*. Washington, D.C.: U.S. Government Printing Office. 6-7.

<sup>19</sup> Rudolph, 10.

<sup>20</sup> Rudolph, 10.

extinct. It was after the signing of the Treaty of Utrecht in 1713 and the rise of Philip V to the Spanish throne that British vessels were allowed to transport African slaves to Cuba as well as an annual cargo of trade goods. These changes would lead to a period of new development for the island. The illegal importation of slaves was already a lucrative business and the agreement provided a thin cover of legality for its practitioners. While the sugar industry benefited from the importance of slaves, sugar did not surpass tobacco in importance.<sup>21</sup>

The Spanish crown placed Cuban tobacco production under government monopoly in 1717 and established a purchasing agency for the control of all aspects of its production and trade because it was proving such a lucrative product. Though the tobacco growers revolted in protest several times in the 1720s, they effectively bypassed the crown's restrictions through contraband practices. By 1740, the Royal Company of Commerce was established as a monopoly agency on all trade to and from Cuba. During the 20 years of its existence, the Company controlled all commercial transactions in Cuba. This monopoly over the tobacco industry lasted until the tobacco growers conducted a successful uprising in 1812.<sup>22</sup>

The short period, between August 1762 and February 1763, during which the British occupied Havana proved instrumental in opening the city to free trade with all nations, fostering the importation of goods and slaves at low prices, and development of the sugar industry. The Haitian Revolution of 1796 resulted in slave revolts, widespread killing of white planters, and burning of cane fields, which all led to the destruction of the Haitian sugar industry. It is estimated that 300,000 French refugees fled to Cuba and brought with them their skilled mulatto laborers as well as their more advanced sugar technology and managerial skills. This collapse of Cuba's major competitor in the European sugar markets helped Cuba establish itself as the leading exporter of sugar. Taking advantage of the Haitian sugar collapse, the Spanish liberalized the slave trade so that they could boost production.<sup>23</sup>

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<sup>21</sup> Rudolph, 10.

<sup>22</sup> Rudolph, 10.

<sup>23</sup> Rudolph, 11.



At the beginning of the nineteenth century, the demand for sugar, tobacco, and coffee increased, resulting in more capital injection into crop production. More slaves were introduced, more land was cultivated, and a new class of wealthy Cuban born, white planters called Creoles emerged. Trade between Cuba and the United States increased and soon much of the available land was turned to sugar and coffee cultivation, which necessitated the importation of basic foodstuffs and other provisions into Cuba. Slavery continued to support sugar, tobacco, and coffee production in Cuba until it was finally abolished in 1886.<sup>24</sup>

At the beginning of the Spanish-American War on April 25, 1898, much of the sugar industry was controlled by American businesses. U.S. companies also had interests in iron-ore exploration, cattle raising, fruit and tobacco plantations, and public utility companies, some estimates placing the U.S. investment at about \$50 million.<sup>25</sup> After Cuba gained its independence in 1902, estimates place the figure at \$200 million. Cuba continued to show steady progress through the First World War, but the bottom fell out in the 1920s, when sugar prices dropped from 23 cents a pound to 4 cents a pound. Many banks foreclosed on several sugar companies because of the downturn, yet, U.S. investment continued to grow to \$1.2 billion by 1924. The United States had become the most important market for Cuban exports and the United States was supplying 75 percent of Cuba's imports.<sup>26</sup>

The Cuban economy suffered heavily following the U.S. stock market crash of 1929, but bounced back as the U.S. economy began to improve. It was during the Great Depression that Fulgencio Batista first ascended to power in Cuba. He would rise to prominence on several occasions during the next two and a half decades, only to ultimately secede power to Fidel Castro. During World War II, the sugar industry saw another significant upswing with all production going to the United States in support of the war effort. In the years following World War II, corruption became commonplace with nepotism, graft, black marketeers, and vice being the norm. As a consequence, on March 10, 1952 Batista seized power in a military coup d'état for the last time. Batista's

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<sup>24</sup> Rudolph, 13.

<sup>25</sup> Rudolph, 17.

<sup>26</sup> Rudolph, 24-27.

government eventually turned repressive towards the Cuban people, which led to incidents of public unrest. In spite of this turn of events, the Cuban economy still managed to boom in 1954 and 1955. Even with these periods of economic success, political unrest continued and Batista fled Cuba, which permitted Castro to assume control on New Year's Day 1959.<sup>27</sup>

In retrospect, the availability of new markets, arrival of more slaves, and good soil for agricultural production all eventually became determining factors in Cuba's development. By the end of the eighteenth century, Cuba had been transformed into a viable Spanish possession, with "king sugar" as the key to the island's development. Sugar would eventually become the mainstay of Cuba's economy in the nineteenth century and continued to permeate all aspects of Cuban life into the twenty-first century. Sugar determined the land tenure system of large plantations, the class structure, and the radical composition of Cuban society. It also created a dependent economy that was buffeted by the continual fluctuations in the international sugar market.<sup>28</sup>

#### **D. CASTRO'S RISE TO POWER**

Before taking a glimpse into the future of Cuba, it is beneficial to look briefly at how Fidel Castro became the source of power in contemporary Cuba and why he has such a mystical aura surrounding him following the revolution. To many people, the Cuban revolution began on December 2, 1956, when Fidel Castro Ruz and eighty-two others landed in the Oriente Province of Cuba with the intent of seizing power from the Batista Government. In reality, the revolution had been gathering for decades. Fidel Castro eventually became the symbol of the revolutionary movement when he was hiding in the Sierra Maestra giving interviews to the world press.

Castro's revolutionary roots were established with his student activism at the University of Havana and his participation in an unsuccessful expedition to overthrow the dictatorship of the Dominican Republic under Generalissimo Rafael Trujillo in September 1947. The first time he spoke of revolution to another student at the University of Havana is the point at which Castro started building his popular support. What would become Castro's ragtag peasant army had been building strength for several

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<sup>27</sup> Rudolph, 29-38.

<sup>28</sup> Rudolph, 3-11.

years prior to his attack on the Moncada Barracks on July 26, 1953. His revolutionary ideology had been building support for over a decade before he even placed one foot back on Cuban soil in 1956.

Fidel Castro, the son of an immigrant sugarcane plantation owner, was born August 13, 1926 on his family's 23,000-acre sugar plantation near Biran located on the northern coast of Cuba's Oriente province. As a youth, Castro spent his days working the fields of the family plantation. Though born to parents of limited education, Castro pressured his parents to allow him to attend school. Eventually, graduating from a Havana Jesuit preparatory school in 1944, Castro soon enrolled in the University of Havana to study law.<sup>29</sup>

At the university, Castro became the president of the militant University Student's Federation. The University of Havana for a long time had been a center of ideological preaching and political involvement, and during a hiatus from 1947 to 1948, Castro participated in violent political activities in the Dominican Republic and Colombia. After his return to the University of Havana, Castro received his law degree in 1950.<sup>30</sup>

Castro and two partners opened a law firm that became a champion of the poor and disadvantaged of Havana. As a member of the Partido Ortodoxo, Castro also became a candidate for a parliamentary seat in the national election scheduled for June 1952. However, General Fulgencio Batista overthrew the government of President Carlos Prío Socarras in a coup d'état prior to the elections and established a military dictatorship. Castro charged, in the Cuban court of Constitutional Guarantees, that the dictator had violated the Constitution of 1940 through his seizure of power. However, the court rejected the petition, so Castro responded by organizing a rebel force of young idealists.

On July 26, 1953, Castro led 164 followers, many of whom were or had been students at the University of Havana, in an attempt to seize the Moncada barracks in Santiago de Cuba and a smaller army base at Bayamo. Castro's plan was to capture weapons and a radio station. Then he would broadcast his manifesto declaring an

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<sup>29</sup> Rudolph, 35.

<sup>30</sup> Rudolph, 36.

uprising against the Batista regime with the hopes of subsequently arming the new recruits that would likely gather.<sup>31</sup>

Initially the attack succeeded, Castro's followers captured a military hospital in order to care for the wounded. Raul Castro, Fidel's brother, captured the Palace of Justice so he could position his force to cover Fidel's main assault against the barracks. However, almost half of the main force lost its way and Fidel attempted to seize the barracks with only about fifty men. They were driven back with superior firepower, as was the attack on Bayamo, forcing Fidel Castro with the other survivors to retreat to the hills.

The Archbishop of Santiago negotiated the revolutionaries' surrender, after which about sixty-five rebels were summarily executed while a small number, including the Castro brothers, were saved when an army officer refused to obey orders to execute them because he recognized Fidel from the University of Havana. This catastrophic failure would inspire the Cuban Revolution and the date of the event, July 26, would become the namesake of Castro's future guerrilla organization, "The 26<sup>th</sup> of July Movement." Fidel was put on trial, during which he conducted his own defense, and was sentenced to fifteen years in the Isla de Pinos Prison. However, in May 1955 Castro and his followers were released from jail under a general amnesty on the condition that they accept exile.<sup>32</sup>

Before departing for exile in Mexico, Castro began organizing his underground movement, headed by Frank Pais in Santiago de Cuba. It was July 7<sup>th</sup>, when Fidel, Raul, and several veterans of the Moncada assault traveled to Mexico to continue planning for another uprising. There they met Doctor Ernesto "Che" Guevara and Colonel Alberto Bayo, a Spanish socialist living in exile. Bayo was enlisted to train Castro and his followers in guerrilla tactics. During this time, Castro traveled to New York, Florida, and Texas to gain the financial support of influential Cubans living in exile. In addition to money, they gave him the old yacht "Granma." In November, Frank Pais met Castro in Mexico City and they set November 30<sup>th</sup> as the date for an uprising in Santiago and a

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<sup>31</sup> Rudolph, 36.

<sup>32</sup> Rudolph, 37.

simultaneous landing by Castro at Niquero in western Oriente Province. Castro was to be met by hundreds of sympathizers with trucks, and together they would seize Manzanillo and Bayamo.<sup>33</sup>

On November 25, 1956, Castro and eighty-two revolutionaries embarked on the overloaded Granma and set sail for Cuba. Before sailing, Castro left a manifesto with United Press International in Mexico City announcing his return to Cuba to fight Batista. The Granma was delayed at sea while several of the preplanned attacks went ahead as scheduled on November 30, only to meet with disastrous results.

The Granma ran aground on December 2, two days behind schedule, to the east of Belic and, while wading ashore, Cuban patrol vessels and aircraft attacked the rebels. Breaking free from their pursers the revolutionaries headed for the Sierra Maestra Mountains. Then, on December 5, members of the Cuban army and navy intercepted the guerrillas at Algeria del Pio, resulting in twenty-one guerrillas killed and twenty-six captured. By the time they reached the relative safety of Sierra Maestra, only seventeen guerrillas remained with a small portion of their weapons.<sup>34</sup> The Sierra Maestra had traditionally been the refuge of Cuban dissidents and was well suited for rural guerrilla activities. Peasants engaged in subsistence farming on the fertile north slopes. They became the source of food, intelligence, and recruits for the guerrillas. The guerrillas gained the peasant's acceptance by paying fair prices for food and providing medical assistance. Batista's military responded by evacuating 400 peasant families and created a zone of death surrounding the area.<sup>35</sup>

On January 17, 1957, the group carried out its first attack against a small naval barracks. Success was due, in part, to local peasants, who had provided the guerrillas with vital targeting information in the hopes of punishing the military for past atrocities. The Batista regime responded with brutality in an effort to intimidate the population, which only brought more sympathizers to Castro's side.<sup>36</sup>

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<sup>33</sup> Rudolph, 37.

<sup>34</sup> Rudolph, 37.

<sup>35</sup> Scheina, Robert L. (2003). The Cuban Revolution, 1956-59. In Latin America's Wars: The Age of the Professional Soldier, 1900-2001. (pp. 215-228). Washington, D.C.: Brassey's, Inc. 219.

<sup>36</sup>Scheina, 219.

On February 24, the New York Times published the first of three articles by correspondent Herbert Matthews based on interviews with Castro in the Sierra Maestra. The articles disproved the Batista regime's accusations that Castro had been killed two months prior. During the interviews, Castro was able to deceive Mathews into believing that his force was much larger than it actually was, and highlighted the deprivations the Cuban people had suffered under Batista. Soon a stream of journalists visited Castro's hideaway, and helped create a Robin Hood image of Castro.<sup>37</sup>

During the two years Castro was in the mountains, numerous groups, some of which were aligned with Castro, carried out acts of urban violence. The 26<sup>th</sup> of July Movement was Castro's primary urban arm. It dealt mostly in sabotage and other subversive activities within the cities. The urban guerrilla virtually ended tourism on the island, thus crippling the economy. Although, many Cubans were unwilling to participate in the violence against the Batista regime, a large number became part of the Civic Resistance Movement. This movement transported supplies, gathered intelligence, and raised money through Freedom Bond sales. The movement included a propaganda section that printed and distributed materials. In all, the Cuban underground had sixty-two cells in Costa Rica, Mexico, the United States, and Venezuela that distributed propaganda and collected money.<sup>38</sup>

After much public debate in the United States, an arms embargo was placed on the Batista regime on March 18, 1958. The embargo was a significant psychological blow to the Batista military, though not an operational constraint. The United States was also putting extreme pressure on Batista to hold elections in June, but he was able to postpone them until November, supposedly in order to give the candidates more time to prepare.

In the following months, the tide turned for the revolutionaries. The guerrillas captured a government codebook that they used to great effect against the Batista military. In addition, there were incidents of the Cuban Air Force dropping 500-pound fragmentation and napalm bombs on suspected guerrilla positions. These bombs killed peasants and destroyed their homes, but failed to dislodge the guerrillas, ultimately

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<sup>37</sup> Kaplowitz, Donna R. (1998). Anatomy of a Failed Embargo: U.S. Sanctions Against Cuba. Boulder, Colorado: Lynne Rienner Publishers, Inc. 23.

<sup>38</sup> Scheina, 221.

bringing more peasants to Castro's cause. Military officers began to defect to Castro's side, as they grew frustrated with the Batista government, the military, and the progress of the revolution. Castro gained status as the political leader of the overall resistance when the various dissident factions agreed to a unity pact and adopted the name, the Civilian Revolutionary Front. By October 1958, the rural guerrilla force under Castro's control had grown to seven fronts composed of twenty columns representing perhaps 7,000 men in four provinces. By now, most of Batista's troops had been driven to their barracks, and armor and air escort could only guarantee the military's movement between these few installations.<sup>39</sup>

In late December 1958, after learning of a potential military coup d'état, Castro ordered an all out advance on Santiago and Havana in an attempt to preempt a seizure of power by the military. Batista, sensing the inevitability of his predicament, met with his advisors on the 31<sup>st</sup> only to affirm all was lost. On the morning of January 1, 1959, Batista, his family, and a few close supporters fled to the Dominican Republic to seek asylum. Fidel Castro entered Havana as the conquering hero on January 8.

On February 16, 1959, Fidel Castro became prime minister of Cuba. He served as prime minister until the office was eliminated under the new constitution of February 24, 1976. While several puppet presidents were elected prior to the new constitution, true power always remained with Castro. Castro has held the office of President since the new constitution went into effect. The new constitution placed no limits on Castro's power, which allowed him to assume the leadership of any ministry or central agency of the administration. Castro, therefore, represents the state, the government, and all aspects of political power within Cuba.

Castro's revolution quickly consolidated power and became the foster of several revolutionary movements that flourished over the next three decades. The revolution has since become institutionalized in all aspects of Cuban life. For this reason, the assumption that a democratic transition in Cuba will follow a violent period of turmoil is justified. Castro had four decades to position only the true believers in every key position in the government and military. Defiance in any form has led to dismissal, incarceration, or death, so it is unlikely that a regime change will be as simple as handing over the keys.

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<sup>39</sup> Scheina, 225.

## **E. CUBA AS A SECURITY THREAT TO THE UNITED STATES**

In this section, communist Cuba and Castro are discussed as a security threat to the United States. At first glance, many people may assume that Cuba is not a threat to the United States. The sheer size of the United States as compared to that of Cuba alone can lead many to think as such. By utilizing the work of Kacowicz and Buzan, Waever, and de Wilde, the following analysis of what threat Castro actually poses to the United States is addressed.

Cuba under the Castro regime has been considered a destabilizing force within the Western Hemisphere by every U.S. administration since President Dwight D. Eisenhower. The decades long battle of wills and ideologies that has existed between Fidel Castro and *ten* consecutive U.S. Presidents has taken many forms and been played out in many arenas. While all four instruments of national power (diplomatic, informational, military, and economic) have been directed against Castro and his small island nation, the United States has achieved only minimal positive results. Consequently, after forty-five years, it seems almost an understatement to say that little progress has been made by either nation to end their longstanding antagonistic relationship and its effects on the Cuban population.

Political Scientist Arie Kacowicz's principle of "satisfaction" as it relates to the regional status quo provides one explanation for the continuing antagonistic relationship between the United States and Cuba.<sup>40</sup> As Kacowicz puts it, "the international sources of satisfaction are based upon the position states occupy in regional and international hierarchies of power and prestige."<sup>41</sup> Cuba is what Kacowicz would call a "strong state with a nondemocratic regime" and, as such, Cuba tends to sustain revisionist claims toward the territorial status quo, until such time that it occupies a hegemonic position vis-à-vis the regional order or adopts an autarkic (self-enclosed) orientation in international

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<sup>40</sup> Kacowicz, Arie M. 1998. Zones of Peace in the Third World: South America and West Africa in Comparative Perspective. Albany, NY: State University of New York Press. 50. The extent to which satisfied states are committed to keep the territorial status quo and, therefore, to maintain their regional order and peace, has to be measured both domestically and internationally in terms of norms of behavior and actual policy.

<sup>41</sup> Kacowicz, 50.



relations. Since Cuba is neither a hegemon nor self-enclosed, it acts as a disruptive force toward the maintenance of a possible zone of peace.<sup>42</sup>

The United States, on the other hand, is a “strong state with a democratic regime” and, as such, it is the typical satisfied (status quo) power in the region, which enjoys a high degree of both domestic and international peace.<sup>43</sup> However, “democracies (whether strong or weak) can be dissatisfied with the status quo in relation to nondemocratic states.”<sup>44</sup> Thus, the democratic United States is not satisfied with communist Cuba, and Castro resents United States involvement in Cuba’s internal affairs.

Cuba is not only guilty of inducing and promoting Communism in the Western Hemisphere, but it rests only ninety miles south of Miami. Therefore, Cuba’s close proximity and the United States’ staunch anti-communist beliefs continue to add fuel to the fire. In accordance with Kacowicz’s principle, the United States is simply not satisfied with the nondemocratic state of Cuba or Cuban efforts to disrupt the status quo within the Western Hemisphere.

Nevertheless, Kacowicz’s principle only offers a partial explanation for the unstable relationship and this is where Buzan, Waever, and de Wilde’s sector analysis can help fill in some of the blanks. Buzan et al’s methodology involves breaking security relationships into five distinct, though not mutually exclusive sectors: military, political, economic, societal, and environmental.

The military sector concerns the two-level interplay of the armed offensive and defensive capabilities of states, and states’ perceptions of each other’s intentions. The political sector concerns the organizational stability of states, systems of government and the ideologies that give them legitimacy. The economic sector concerns access to the resources, finance, and markets necessary to sustain acceptable levels of welfare and state power. The societal sector concerns the sustainability, within acceptable conditions for evolution, of traditional patterns of language, culture and religious and national identity and custom. The environmental

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<sup>42</sup> Kacowicz, 52. It is the combination of state strength and nondemocratic regimes that explains their proclivity for aggressive foreign behavior.

<sup>43</sup> Kacowicz, 51.

<sup>44</sup> Kacowicz, 52.

sector concerns the maintenance of the local and planetary biosphere as the essential support system on which all other human enterprises depend.<sup>45</sup>

Buzan et al's methodology of breaking the U.S./Cuba security issue into five distinct sectors reduces the number of variables that must be considered. Additionally, given such a sector approach, it must be recognized that the state is not the only actor in the security relationship. For example, the Cuban immigrant population residing in the United States is a highly powerful and relevant political element that can greatly affect the two countries' relationship. While the sectors Buzan et al identify are not mutually exclusive, they do provide a set of lenses through which the root causes of the lingering animosity that exists between Cuba and the United States can be analyzed. As Buzan et al state, "The analytical method of sectors thus starts with disaggregation but must end with reassembly. The disaggregation is performed only to achieve simplification and clarity."<sup>46</sup> In what follows, there is a brief sector analysis following their model.

### **1. Military Sector**

The military sector concerns the two-level interplay of the armed offensive and defensive capabilities of states, and states' perceptions of each other's intentions. The Cuban military poses no significant threat to the well-being of the United States based on its current capabilities. As Table 1 illustrates, the United States has an overwhelming advantage over the Cuban military. Not only is the Cuban military considerably smaller, but its equipment is in such a poor state of readiness that it could not function in any type of sustained fight. Cuba's biological weapons capability was an area of concern in recent years, but as late as late September 2004 Bush administration officials concluded that, "...it is no longer clear that Cuba has an active, offensive bio-weapons program."<sup>47</sup> In a head-to-head conventional fight, with the United States applying its total military power,

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<sup>45</sup> Buzan, Barry, Waever, Ole, & Wilde, Jaap. (1998). Security: A New Framework for Analysis. Boulder, CO: Lynne Reinner Publishers, Inc. 7.

<sup>46</sup> Buzan, et al., 8.

<sup>47</sup> Weisman, Steven R. (2004, September 17). In Stricter Study, U.S. Scales Back Claim on Cuba Arms. The New York Times. [Newspaper, article in archives]. Retrieved September 18, 2004, from the World Wide Web: <http://www.nytimes.com>.

it is probably safe to assume that the Cuban forces would not last any longer than the Iraqi forces did in their two confrontations with the United States' armed forces.<sup>48</sup>

Table 1. United States - Cuban Military Capabilities Comparison.<sup>49,50</sup>

| <b><u>United States</u></b>   | <b><u>Cuba</u></b>  |
|---|---|
| <ul style="list-style-type: none"> <li>•Army strength: (485,500 active/ 355,000 ARNG)</li> <li>–MBT: 9384</li> <li>–IFV: 6700</li> <li>–APC: 15,000</li> <li>–MLRS: 1070</li> <li>–SPA: 2530</li> <li>–ATH: 1250</li> <li>•Navy Strength: (379,335/173,942 USMC)</li> <li>–SSBN: 16</li> <li>–SSN: 54</li> <li>–CVG: 12</li> <li>–Cruisers: 27</li> <li>–Destroyers: 25</li> <li>–Frigates: 25</li> <li>•Air Force Strength: 368,400</li> <li>–Bombers: 207</li> <li>–Combat A/C: 2594</li> </ul> | <ul style="list-style-type: none"> <li>•Army strength: (37,000 active/35,000 Reserve)</li> <li>–MBT: 700</li> <li>–Light Amphibious Tanks: 30</li> <li>–IFV: 150</li> <li>–Reconnaissance vehicles: 90</li> <li>–SPA: 37</li> <li>•Navy Strength: (2000/500 Marines)</li> <li>–Submarines: 0 (operational)</li> <li>–Corvette: 1</li> <li>–Fast attack craft (missile): 6</li> <li>–Various other vessels: 9 (operational)</li> <li>•Air Force Strength: 8000</li> <li>–Combat A/C: 20 to 30 (operational)</li> <li>–ATH: 20</li> </ul> |

History has not always been so kind to the United States in military confrontations with Cuba. As military actions have had lasting long-term political and economic effects that sour the current security relationship. In the United Nation's General Assembly, on 26 September 1960, Castro charged the US with subversion and aggression. At the time, the US denied the offenses, but as the 1961 Bay of Pigs incident later proved, the US was truly in violation of the UN Charter. As a result, three draft resolutions were written condemning the US aggression. The accepted resolution deferred the matter to the OAS for resolution to not aggravate existing tensions between the US and Cuba. While tensions between the two nations have not abated in the four

<sup>48</sup> The Cuban Threat to U.S. National Security. (1998, May 6). Defense Intelligence Agency (DIA) Report. Retrieved September 5, 2004, from the World Wide Web: [http://www.cubapolidata.com/cafr\\_dia\\_report.html](http://www.cubapolidata.com/cafr_dia_report.html). 5.

<sup>49</sup> World Armies, United States. Jane's World Armies. Retrieved September 5, 2004, from the World Wide Web: <http://jwar.janes.com>.

<sup>50</sup> World Armies, Cuba. Jane's World Armies. Retrieved September 5, 2004, from the World Wide Web: <http://jwar.janes.com>.

decades since the UN resolution, further conflict, with the exception of the U.S. invasion of Grenada, has been halted. Cuban support of revolutionary movements in Latin America and Africa since the Bay of Pigs incident is in reality no different as a violation of the UN Charter,<sup>51</sup> and a matter for which the Cubans have been ostracized in the UN as well.

Failure at the Bay of Pigs, in addition to what could be classified as “a draw” in the Cuban Missile Crisis, has made the United States relatively risk adverse when it comes to military matters dealing with Cuba. After these two near catastrophic confrontations with Cuba, the United States has sought other largely economic means to affect Castro’s rule in Cuba. It is highly unlikely that a US president, considering our history with Cuba, would contemplate military intervention except under extreme and dire circumstances. Measuring this against Cuba’s inability to survive a conflict with the United States, the most likely course of action by both governments is to maintain the status quo in the military sector.

## **2. Political Sector**

The political sector concerns the organizational stability of states, systems of government, and the ideologies that give them legitimacy. The United States has been a constitutional based federal republic with a strong democratic tradition for over 225 years. U.S. citizens are represented through a multi-party system with the predominant parties being the Republicans, Democrats, and Greens. Up until the 2004 presidential elections, voter turnout has waned in recent years, nearing 50% of eligible voters, due in large part to voter apathy or distrust in the system, depending on which expert’s opinion is solicited. However, there has been minimal effort to change the U.S. political system outside the normal established means, except by individual radical extremist groups that garner no real popular support, i.e. Timothy McVeigh. The United States system of government has persisted for over two centuries and it strongly supports democratic movements around the world.

Since 1959, Cuba has functioned as a communist state and has had a constitution only since 1976. Since Castro’s rise to power, Cuba has operated under a single party system (Cuban Communist Party). Castro has a long history of severe crackdowns on

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<sup>51</sup> United Nations Charter. (1945). United Nations. Retrieved March 12, 2004, from the World Wide Web: <http://www.un.org/aboutun/charter/index.html>.

groups or individuals that oppose his rule. However, many Cubans remain nostalgic for the revolution in spite of the deprivations that have occurred since the Soviet Union's collapse and subsequent loss of support to Cuba.

It has not only been since the rise of Castro that Cubans had anti-American views. As early as the Spanish-American War, Cubans opposed US intervention and as late as the presidency of Ramon Grau San Martin (1944-48), there were strong anti-United States feelings, which fomented after the end of the 1933 Revolution. Grau San Martin went so far as to describe the revolution as "The Cuban Revolution against America."<sup>52</sup> At that time, the U.S. was blamed for Cuba's inability to form a stable, unified nation, and to the Cubans, the imperialistic US emerged as the principle enemy of Cuban sovereignty. These anti-U.S. sentiments would linger for decades to come.

The Organization of American States (OAS) has often been the political battlefield on which the United States and Cuba have faced off. The OAS, by design, brings the countries of the Western Hemisphere together to strengthen cooperation and advance common interests. One of the key roles the OAS plays within this context is to strengthen democratic institutions and practices. Guided by the principles of the Democratic Charter, the OAS also supports efforts to decentralize governments, modernize political parties, strengthen national legislatures, and consolidate democratic values and culture. Additionally, the OAS works to promote good governance, strengthen human rights, foster peace and security, expand trade, and address the complex problems caused by poverty, drugs, and corruption.<sup>53</sup>

Failing to meet political objectives at the Bay of Pigs and suffering the condemnation of the United Nations, the United States gained some success within the OAS for sequestering Cuba in January 1962 at the Eighth Meeting of Consultation of Ministers of Foreign Affairs. This meeting acknowledged the existence of a Marxist-Leninist government in Cuba, which was publicly aligned with the doctrine and foreign policy of the communist powers.<sup>54</sup> Specifically, the meeting declared, "That, as a

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<sup>52</sup> Smith, Robert F. (1967). *Castro's Revolution: Domestic Sources and Consequences*. Cuba and the United States: Long Range Perspectives. (Plank, John. Ed.). Washington, D.C.: The Brookings Institute. 58.

<sup>53</sup> Smith, 8.

<sup>54</sup> Meetings of Consultation of Ministers of Foreign Affairs. (1962). Minutes VIII Meeting - Punta del Este, Uruguay - January 22 to 31, 1962. 5.

consequence of repeated acts, the present Government of Cuba has voluntarily placed itself outside the inter-American system.”<sup>55</sup> Under the resolution, Cuba remained a member, but the Castro-led Government of Cuba was excluded from participation in the OAS. With this resolution, the United States was able to place a generally accepted wall between Cuba and the rest of Latin America. The resolution has maintained its vigor over the years, effectively separating Cuba from most of Latin America and is a contributing force behind Cuba’s exclusion from the Free Trade Area of the Americas (FTAA).

The differing political ideologies - democracy vs. communism - remain one of the main causes of disagreement between the two countries, and have helped to create security issues. The United States continues to support the growth of more democratic regimes around the world, both politically and financially. While Cuba has pulled out of Africa and no longer supports insurgencies in the Western Hemisphere and the threat of Cuban-backed communist expansion has diminished considerably since the 1980s, the United States still considers Cuba a threat to regional stability, which follows Kacowicz’s status quo argument about how democracies can be dissatisfied with the status quo in relation to non-democratic states. For the United States to change its political stance on Cuba, a change in political ideology from Cuba that conforms more closely to the requirements of the Cuban Liberty and Democratic Solidarity Act of 1996 is required.

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<sup>55</sup> Meetings of Consultation of Ministers of Foreign Affairs. Declarations and Resolutions. 14. Declares: 1) That, as a consequence of repeated acts, the present Government of Cuba has voluntarily placed itself outside the inter-American system. 2) That this situation demands unceasing vigilance on the part of the member states of the OAS, which shall report to the Council any fact or situation that could endanger the peace and security of the hemisphere. 3) That the American states have a collective interest in strengthening the inter-American system and reuniting it on the basis of respect for human rights and the principles and objectives relative to the exercise of democracy set forth in the Charter of the Organization; and therefore Resolves: 1) That adherence by any member of the OAS to Marxism-Leninism is incompatible with the inter-American system and the alignment of such a government with the communist bloc breaks the unity and solidarity of the hemisphere. 2) That the present Government of Cuba, which has officially identified itself as a Marxist-Leninist government, is incompatible with the principles and objectives of the inter-American system. 3) That this incompatibility excludes the present Government of Cuba from participation in the inter-American system. 4) That the Council of the OAS and the other organs and organizations of the inter-American system adopt without delay the measure necessary to comply with this resolution

### 3. Economic Sector

The economic sector concerns access to the resources, finances, and markets necessary to sustain acceptable levels of welfare and state power. As is commonly acknowledged, the United States has the largest and most powerful economy in the world.<sup>56</sup>

On the other hand, the Cuban government continues to balance the need for economic loosening against a desire for firm political control, while dealing with the U.S.-imposed embargo. The average Cuban's standard of living remains at a lower level than before the depression of the 1990s, which resulted from the loss of Soviet aid and domestic inefficiencies.<sup>57</sup> Please refer to the Table 2 for a comparison of US and Cuban' economic indicators.

Table 2. United States - Cuban Economic Comparison.<sup>58 59</sup>

| <u><b>United States</b></u>   | <u><b>Cuba</b></u>   |
|---|--|
| <ul style="list-style-type: none"><li>- GDP: purchasing power parity - \$10.98 trillion (2003 estimate)<ul style="list-style-type: none"><li>- Real Growth: 3.1%</li><li>- Per capita: purchasing power parity - \$37,800 (2003 estimate)</li><li>- By sector: Agriculture - 2%, Industry - 18%, Services - 80%</li></ul></li><li>- Population below poverty line: 12% (2003 estimate)</li><li>- Inflation rate: 2.1% (2003 estimate)</li><li>- Labor force: 141.8 million</li><li>- Unemployment rate: 6.2 % (2003)</li><li>- Exports: \$714.5 billion f.o.b. (2003 estimate)</li><li>- Imports \$1.26 trillion f.o.b. (2003 estimate)</li><li>- Debt external: \$1.4 trillion (2001 estimate)</li></ul> | <ul style="list-style-type: none"><li>- GDP: purchasing power parity - \$31.59 billion (2003 estimate)<ul style="list-style-type: none"><li>- Real Growth: 1.3%</li><li>- Per capita: purchasing power parity - \$2,800 (2003 estimate)</li><li>- By sector: Agriculture - 7.6%, Industry - 34.5%, Services - 57.9%</li></ul></li><li>- Population below poverty line: NA</li><li>- Inflation rate: 5% (2003 estimate)</li><li>- Labor force: 4.3 million</li><li>- Unemployment rate: 3.2 % (2003)</li><li>- Exports: \$1.467 billion f.o.b. (2003 estimate)</li><li>- Imports \$4.531 billion f.o.b. (2003 estimate)</li><li>- Debt external: \$13.2 billion, another \$15-20 billion owed to Russia (2003 estimate)</li></ul> |

<sup>56</sup> United States. CIA-The World Fact Book. Retrieved September 5, 2004, from the World Wide Web: <http://www.cia.gov/cia/publications/factbook/print/us.html>. 6.

<sup>57</sup> Cuba. CIA-The World Fact Book. Retrieved September 5, 2004, from the World Wide Web: <http://www.cia.gov/cia/publications/factbook/print/cu.html>. 5.

<sup>58</sup> United States. CIA-The World Fact Book. Retrieved September 5, 2004, from the World Wide Web: <http://www.cia.gov/cia/publications/factbook/>.

<sup>59</sup> Cuba. CIA-The World Fact Book. Retrieved September 5, 2004, from the World Wide Web: <http://www.cia.gov/cia/publications/factbook/>.

Necessity has forced Castro to permit foreign investment, primarily in tourism-related ventures to boost the Cuban economy. However, tourism has forced Castro to deal with two forms of illicit economies: the dollar market and prostitution. Prior to the loosening of restrictions, there already existed a market for dollars that were sent by émigrés residing in the United States to their extended families still living in Cuba. The dollar market was for a long time suppressed by Castro, but the tourism market, funded largely by dollars, forced a change in policy. Another illicit activity is that of prostitution, which often goes hand in hand with tourism. Even though prostitution brings in greater capital, it is not the type of revenue source the Cuban government can or would want to tap into to improve the overall economy. Beyond the societal implications that are discussed later in the societal sector section, prostitution in Cuba has been identified by the Bush administration as one of many human rights problems Castro is not correcting.<sup>60</sup>

Since the U.S. embargo was initiated against Cuba in 1960, six foreign policy goals have been attached to it: overthrow Castro; retaliate for nationalizations of United States property; contain the Cuban revolution; break Soviet-Cuban ties; demonstrate U.S. opposition; and change the internal situation in Cuba. Each of these six U.S. policy objectives has met with varying degrees of success. The most damning of all is that rather than achieving the internal rebellion that was initially expected, the embargo proved to be a rallying point for the Cuban people. Castro was able to blame the country's economic problems on the United States and thereby gain greater support for his own policies.<sup>61</sup>

In reality, the embargo only served to strengthen Soviet-Cuban ties and locked Cuba more tightly into the Soviet Union's trade and assistance sphere. The embargo contributed to the deep division between the superpowers, which in turn only aggravated the conditions leading up to the Cuban Missile Crisis. During the early part of the 1990s, the relationship between the Soviet Union and Cuba disintegrated. Since then, Russian

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<sup>60</sup> Clark, Leslie. (2004, July 17). Castro Lures Sex Tourism, President Says. The Miami Herald. Retrieved September 22, 2004, from the World Wide Web: <http://www.miami.com/mld/miamiherald/news/9175940.htm>

<sup>61</sup> Kaplowitz, 4.



officials have said the normalization of relations between the United States and Cuba would have sped up Russia's pullout from the island.<sup>62</sup>

The embargo has successfully prohibited virtually all direct and indirect commercial relations between individuals subject to U.S. jurisdiction and Cubans for more than forty years. Furthermore, the U.S. sanctions policy has prevented trade between Cuba and much of the Western Hemisphere. It is estimated that the embargo has cost the Cuban government over \$40 billion over the past four decades. However, the embargo still failed to meet its policy objectives because: Cuba was able to circumvent the embargo by turning to the Soviet Union; Castro was able to develop effective countermeasures, most importantly by using the US sanctions policy to rally national support; and the goal of the sanctions policy to overthrow Castro was too difficult to achieve through an embargo only policy.<sup>63</sup>

The Free Trade Area of the Americas is most likely Cuba's last hope for integration into the region's economic network. However, membership is contingent upon democratic rule being established in Cuba. Therefore, until Cuba starts building democratic institutions, the Cuban people will not see prosperity similar to that experienced by many other nations in the Western Hemisphere. The United States has little to worry about with regard to competition with Cuba, as Cuba's economy is not self-sustaining now. The United States' greatest fear concerning Cuba should be that it does not have to bail out Cuba's external debt, especially with the \$15-20 million that Cuba owes Russia, if the two countries adopted rapprochement policies or there is a catastrophic collapse in the Castro regime.

#### **4. Societal Sector**

The societal sector concerns the sustainability, within acceptable conditions for evolution, of traditional patterns of language, culture, and religious and national identity, and customs. The United States is seeing a marked increase in Hispanic influence within its own borders, thanks to a large growth in the immigrant population, both legal and illegal, from LA. This is rapidly changing the dynamics among the minority population, as Hispanics now outnumber the African-American minority population.

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<sup>62</sup> Kaplowitz, 6-7.

<sup>63</sup> Kaplowitz, 2-10.

In Cuba, illicit migration is a continuing problem. Cubans attempt to depart the island and enter the United States using homemade rafts, alien smugglers, direct flights, or falsified visas. About 2,500 Cubans tried to make the crossing to Florida in 2002, with U.S. Coast Guard only able to interdict about 60%. Another approximately 1,500 Cubans arrived overland via the southwest U.S. border and direct flights into Miami in 2002.<sup>64</sup>

Fidelismo has been the most powerful force within Cuban society since the 1960s. What was once expressed as joy for the removal of the Batista dictatorship became sorrow for the loss of many things Cuban under Castro. Fidel became the personification of Cuba, erasing nearly all the vestiges of Cuba's non-revolutionary past. Castro's whims became law and the Cuban Communist Party replaced many of the traditional institutions that had developed over centuries. For one, the Roman Catholic Church's relations deteriorated with the Cuban government when the church protested Castro's reform laws. The Castro government placed many restrictions on the churches, which have eased slightly over the last two decades, but religion does not stand at the same high level of power and prestige that it once did in Cuban society.

The increase in prostitution, as a result of increased tourism, is one of the greatest dangers the Cuban society currently faces. While the additional dollars from tourism can benefit the society economically, the degradation of women and the risk of AIDS/HIV transmittal from prostitution will have severe long-term effects. Prostitution will corrupt the society and probably lead to other more dangerous illicit markets, i.e. drug and weapons trade. A weak church, due to Castro's policies, does not have the impact to curtail the growing crisis. A strong civil society would be able to fight such a crisis in its stead, but Castro's policies have not been supportive of a strong civil society. The current wave of prostitution could be the first wave in a total corruption of the Cuban society if Castro allows the activity to go unchecked.<sup>65</sup>

The most noticeable characteristic about the Castro regime is that many Cubans supported the revolution in order to free people of the deprivations of the Batista dictatorship, when in reality the revolution only placed another dictator in power. Castro

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<sup>64</sup> Cuba. CIA-The World Fact Book. Retrieved September 5, 2004, from the World Wide Web: <http://www.cia.gov/cia/publications/factbook/print/cu.html>. 3-4.

<sup>65</sup> The Factbook on Global Sexual Exploitation: Cuba. (2004). Coalition Against Trafficking in Women. Retrieved September 22, 2004, from the World Wide Web: <http://www.catwinternational.org/fb/Cuba.html>.

has effectively left Cuba without the freedoms he initially fought to secure. Instead of Castro working to provide for the people of Cuba, the people work to provide for Castro's wants, needs, and ill-advised policies. Castro has essentially created a cultureless society, unless we are to call "Fidelismo," the cult of personality, a form of culture. Once the people of Cuba are able to break the chains of bondage under Fidelismo, the world should once again see the "true" Cuba re-emerge.

From a societal sector perspective, Cuba does not pose a significant threat unless the prostitution market starts spreading AIDS/HIV to the United States via either the immigrant flow or tourism. The United States poses a greater threat to Castro's power as U.S. citizens live at such a higher standard of living than Cubans do. This highly visible differential in standard of living is one of the primary reasons for Cuba's negative migration flow. In either case, there is no substantive reason for either country to consider the other a security threat based on current societal sector circumstances.

## **5. Environmental Sector**

The environmental sector concerns the maintenance of the local and planetary biosphere as the essential support system on which all other human enterprises depend. Both Cuba and the United States suffer from some of the same environmental issue, air and water pollution, deforestation, and biodiversity loss, among many others. While the United States is better suited to deal with such issues, Cuba's depletion of its natural resources could turn the island nation into the next Haiti. Chronic mismanagement of resources, abuse of the ecosystem, and natural factors could all lead to a devastating ecological disaster if they remain unchecked.

There is nothing in the near-term that impacts significantly on the United States relating to Cuba's environmental policies, unless Cuba's ongoing search for oil reserves were to prove successful. If so, two potential scenarios could possibly occur. In one, the United States' drive for mineral rights in the Caribbean could lead to further political pressure upon the Castro regime forcing a confrontation. The other scenario is based on the potential effects of an oil spill off the coast of Cuba in which crude oil could spread across the Caribbean destroying ecosystems along the spill's path. However, as the situation currently stands in the environmental sector for both nations, there is nothing to warrant serious security concerns.

In summation, Cuba does not pose a serious security threat to the United States, especially since the withdrawal of Soviet support in the early 1990s. The Communist ideology that Fidel professes only poses a minor threat regionally, as all the other nations in the Western Hemisphere have achieved some level of democratization. However, memories of US colonial exploitation following the Spanish American War, the Bay of Pigs, and the Cuban Missile Crisis fuel mutual animosity that clouds current and future relations.

It cannot be denied that Fidel Castro is a charismatic leader. Yet, Fidelismo creates a fissure. Either you hate him or you love him. His stiff crackdown on dissidents has been a major impediment to the United States' lifting of economic sanctions against Cuba. On the other hand, a large portion of the Cuban population remains nostalgic for Castro and the revolution, which vastly improved medical care, food supplies, and standards of living. Contrast that against the large Cuban-American immigrant population residing in the United States, which in most cases vehemently opposes all things Castro. These Cuban-Americans sink millions of dollars into creating anti-Castro propaganda and supporting the election campaigns of anti-Castro officials working to create the conditions for Castro's demise.

The long-standing economic embargo emplaced against Cuba has received mixed reviews. Some believe it has held Castro in check for four decades, while others believe it was one of the unifying forces that brought many Cubans into Castro's Communist fold. With an end to the significant support by the Soviet Union to help Cuba survive the embargo, Castro has been forced to make economic concessions that permit free trade and a large dollar market sector, which is fueled by Cuba's growing tourism industry and remittances from Cubans abroad. However, Cuba is not out of the economic woods just yet, as we consider Cuba's level of economic development is only equivalent to that of the United States in the 1960s at best.

The eventual death or downfall of Castro and his Cuban Communist Party is a precursor for any true reengagement between the United States and Cuba. Since trust has been lost between the two nations, and in spite of a lack of any significant security threat from Cuba, the United States is likely to maintain its sequestering of Cuba until the requirements of the Cuban Liberty and Democratic Solidarity Act of 1996 are met.

Simply, the old Cold War wounds are slow to heal and the United States will not be content until Fidel and Raul Castro have passed away.

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## II. DEMOCRATIC REFORM

### A. TRANSITION THEORY: GOVERNANCE

As part of the democratic process, there is an expectation by citizens that it is their right to affect policy through regular alternation of government officials as part of a free and fair election process. The representativeness of the democratic process is measured by these very factors. With this in mind, Larry Diamond provides a broad ranging definition of this free and fair elections process from which further analysis can be done.

The legal barriers to entry into the political arena are low, when there is substantial freedom for candidates and supporters of different political parties to campaign and solicit votes, and when voters experience little or no coercion in exercising their electoral choices...when they are administered by a neutral authority; when the electoral administration is sufficiently competent and resourceful to take specific precautions against fraud in the voting and vote counting; when the police, military, and courts treat competing candidates and parties impartially throughout the process; when contenders all have access to the public media; when electoral districts and rules do not systematically disadvantage the opposition; when independent monitoring of the voting and vote counting is allowed at all locations; when the secrecy of the ballot is protected; when virtually all adults can vote; when the procedures for organizing and counting the votes are transparent and known to all; and when there are clear and impartial procedures for resolving complaints and disputes.<sup>66</sup>

Andreas Schedler, believing that democratic elections are mechanisms of social choice under conditions of freedom and equality,<sup>67</sup> furthers Karl's definition by dividing democratic choice into seven links of the unbreakable chain that is the electoral process.

1. **Empowerment.** Democratic elections involve the delegation of decisionmaking authority.
2. **Free Supply.** Citizens must be free to form, join, and support conflicting parties, candidates, and policies.
3. **Free Demand.** Citizens must be able to learn about available alternatives through access to information.

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<sup>66</sup> Diamond, Larry. (2002). Thinking About Hybrid Regimes. Journal of Democracy, Volume 13, 2. 28-29.

<sup>67</sup> Schedler, Andreas. (2002, April). Elections Without Democracy: The Menu of Manipulation. Journal of Democracy, Volume 13, 2. 39.

4. **Inclusion.** Democracy assigns equal rights of participation to all full members of the political community.
5. **Insulation.** Citizens must be free to express their electoral preference.
6. **Integrity.** One person, one vote. The democratic ideal of equality demands weighing votes equally.
7. **Irreversibility.** Elections without consequences do not qualify as democratic.<sup>68</sup>

These parameters, as defined by Karl and Schedler, provide a framework for the development of democratic choice in a free Cuba. As part of these first steps toward democratization, elite factions and social movements have traditionally played key roles in bringing about the demise of authoritarian rule, while political parties will move to center stage as the enabling force during the transition to democracy. This is often followed by business associations, trade unions, and state agencies becoming the major determinants of the type of democracy that is eventually consolidated.<sup>69</sup>

In the next section, we will look at these parameters as they relate to Cuba within Karl's dimensions: (1) contestation over policy and political competition for office; (2) participation of the citizenry through partisan, associational, and other forms of collective action; (3) accountability of rulers to the ruled through mechanisms of representation and the rule of law; and (4) civilian control over the military.<sup>70</sup>

## **B. THEORY APPLIED TO CUBA**

### **1. Contestation over Policy and Political Competition for Office**

Following Castro's demise there will be a substantial void in the political leadership of Cuba. Castro has held the office of President since the new constitution went into effect on February 24, 1976, and the office of Prime Minister before that. The new constitution placed no limits on Castro's power, which allowed him to assume the leadership of any ministry or central agency of the administration. Castro, therefore, represented the state, the government, and all aspects of political power.

What the Cubans are going to find, based on the initial assumption that Cuba will be in a state of great turmoil and devastation, is that all political calculations and

<sup>68</sup> Schedler, 39.

<sup>69</sup> Karl, 5-6.

<sup>70</sup> Karl, 2.



interactions are highly uncertain in the void left by Castro. The Cubans vying for positions of power will find it difficult to know what is in their interest, who will support them, and which groups to trust. The dynamics of the transition revolve around strategic interactions and tentative agreements between the different Cuban factions with uncertain power resources aimed at defining who will legitimately be entitled to play in the political game, what criteria will determine the winners and losers, and what limits will be placed on the issues at stake.<sup>71</sup>

The hunger for democratic reform and greater opportunities will invigorate countless Cubans to participate in the electoral process by running for public office, but it will take a legally mandated system that protects the contenders and their rights from fraud, physical threat, and disenfranchisement of the voters. Cubans will want to feel that their vote counts and that they are making a difference. In their minds, they will have to believe that democracy is the “only game in town.”

If we apply Schedler’s unbreakable chain, Cubans should be made to realize by U.S. nation-building personnel with the help of the Organization of American States that political elections are about citizens wielding power, in that, elections exist to accomplish the binding selection of the polity’s most powerful collective decisionmakers. The Cuban’s range of available alternatives cannot be something engineered by a manipulative government as has been done in the past under Castro. Instead, Cuban citizens themselves must create alternatives; they must feel free to develop their own preferences.<sup>72</sup>

## **2. Participation of the Citizenry**

After decades of state institutionalization, Cuban civil society - the realm of organized intermediary groups that are voluntary, self-generating, independent of the state and the family, and bound by a legal order or set of shared rules – is virtually non-existent. All associations beyond the immediate family disappeared with Castro’s supposed reforms. The elimination of old power groups, the remnants of the Batista military, political parties, labor unions, and agricultural and professional associations, all characterized the first stage of the Cuban revolution. Early revolutionary policies were

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<sup>71</sup> Karl, 6.

<sup>72</sup> Schedler, 40.

formulated to reward members of the Cuban middle class who backed Batista's overthrow. Changes included land reform, improvement of salaries and benefits to workers, diversification of agriculture industrialization, regulation of foreign enterprises, and administrative reform. Wealth and income was redistributed to the middle and lower classes. The revolution polarized portions of Cuban society, creating fissures between the political elite and the rest of the society. These fissures left Cuba with a fragmented and un-unified society.<sup>73</sup>

In any transition, it will be incumbent upon the people of Cuba to recreate what Castro and the revolution destroyed. The rebuilding of Cuba's civil society will form the backbone of support that is necessary for democracy to take root in a free Cuba. A unified civil society will be instrumental in rebuilding Cuba and Larry Diamond does an excellent job of explaining the relationship between civil society and democratization in the following passage:

Civil society may contribute to democratic consolidation in numerous ways: by stabilizing expectations and social bargaining, generating a more civic normative environment, bringing actors closer to the political process, reducing the burdens of governance, and checking political abuses of power. Civil society can contribute to democratic consolidation only if other institutions are also favorable, and if actors in civil society behave in a "civil" way, representing the law and other social and political actors while accepting and not seeking to usurp or conquer democratic political authority. A rich, dense, vibrant, institutionalized, and highly "civic" civil society is not strictly necessary for democratic consolidation, but democracy will be more likely to achieve consolidation, and will undoubtedly be of higher quality, to the extent that such a society emerges. A middle class has been considered conducive to political moderation and democracy and as the quest for democratic consolidation unfolds in each country, it is the middle class in general [and] its professional and intellectual elements in particular that are leading civil society movements for democratic deepening and reform.<sup>74</sup>

The party system is the manifestation of "civil society with a cause" and one of the most important institutional aspects for democracy. The institutionalization of party systems increases democratic governability and legitimacy by facilitating legislative support for government policies; by channeling demands and conflicts through

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<sup>73</sup> Rudolph, 39-40.

<sup>74</sup> Diamond, Larry. (1997). Introduction: In Search of Consolidation. Consolidating the Third Wave Democracies. Baltimore, Maryland: The John Hopkins University Press. xxxii-xxxv.

established procedures; by reducing the scope for populist demagogues to win power; and by making the democratic process more inclusive, accessible, representative, and effective.<sup>75</sup> The party system is necessary in Cuba to focus a broad base of interests into a single unified platform. What the Cubans will want to avoid is weak party systems which Diamond describes as, “parties [that] lack clear pragmatic identities, autonomous organizations, strong linkages to social groups, and durable bases of electoral support, and in which parties may proliferate in number and flit across the national stage, never lasting long enough to build up strong structures, identities, and ties.”<sup>76</sup>

Groupings beyond the immediate family will be necessary for the transformation to a democratic society. Civic action groups, as we are so accustomed to in the United States, will have to be empowered to resolve the problems of local communities until a formal governmental apparatus is in place. The mindset that only Cubans can solve the problems of Cuba will have to be the theme in every neighborhood, and though this may be slow to take root, it is a necessary process following so many years of indifference under Castro. While the party system itself is not a necessary condition for the consolidation of democracy, it will be important, especially given the time it may take to strengthen the other political institutions the rise out of the wake of the Cuban Communist Party.

The application of Schedler’s unbreakable chain within the context of participation of the citizenry reminds us that universal suffrage is the key to the involvement of the people. There cannot be exclusionary restrictions based on property ownership, education, gender, or ethnicity. The Cubans rights to participation must be protected through a secret balloting process to prevent coercion and bribery. As Schedler notes, “Modern democracy assumes that all citizens, regardless of their schooling or social status, have faculties of autonomous decision making which are effectively equal in the decisive political respect.”<sup>77</sup> In the end, the principle of “one person, one vote” must be the rallying cry for democratic change.<sup>78</sup>

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<sup>75</sup> Diamond, 1997, xxv.

<sup>76</sup> Diamond, 1997, xxvi.

<sup>77</sup> Schedler, 40.

<sup>78</sup> Schedler, 39.

### **3. Accountability of Rulers to the Ruled**

As previously stated, Castro came to represent the state, the government, and all aspects of political power within Cuba. His personal manipulation of all facets of Cuban life has disfigured all vestiges of fairness, equality, and justice. Castro failed to meet the needs of his people as the mass exodus of Cubans to the United States bears witness. The same can happen if democracy is allowed to fail during the rebuilding process.

Cubans will form judgments about democracy based not only on what it delivers economically, but also on the degree to which it delivers valued political goals: freedom, order, rule of law, accountability, representativeness, and overall efficacy. Cubans will expect leaders to govern democratically, in compliance with a new constitution, and to govern efficiently and effectively, in terms of choosing and implementing policies that address the citizenry's most important problems. What Diamond calls a usable bureaucracy, "a state that has the administrative capacity to perform the essential functions of government: to maintain order, adjudicate disputes, construct infrastructure, facilitate economic exchange, defend the national borders, and collect taxes necessary to fund these activities, is an essential part of a stable democratic government."<sup>79</sup> There are two basic time-tested alternatives of democratic representation that the Cubans can consider for their executive structure: parliamentary or presidential. According to Diamond:

In presidentialism, a directly elected chief executive would be closer to the people and offers more direct personal accountability for governance than the indirectly chosen prime minister offers in a parliamentary system. However, several studies maintain that parliamentary democracy is more conducive to democratic stability. Presidential democracy is particularly vulnerable to breakdown when it is joined to a fragmentary party system, and most of all under conditions of legislative deadlock. In a presidential system, the degree of party fragmentation in parliament can be heavily influenced by the formula used to elect the president and timing of presidential and legislative elections. Legislatures tend to be more fragmented when their elections are not fully synchronized with presidential ones.<sup>80</sup>

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<sup>79</sup> Diamond, 1997, xxiv.

<sup>80</sup> Diamond, 1997, xxvii-xxviii.

Key to Schedler's unbreakable chain, within this context, is that there must be bureaucratic integrity and professionalism that supports the electoral process. Full support, regardless of the outcome, is a cornerstone of the democratic process. Newly formed Cuban governmental institutions must fully support the political process within the rule of law to ensure competent and neutral election management. Former political elites or those resisting democratization must not be allowed to corrupt Cuban rights of participation within the electoral process. Otherwise, alienation will occur, which can lead to even greater turmoil and political unrest, eventually negating all that has been accomplished as part of the reconstruction.<sup>81</sup>

#### **4. Civilian Control over the Military**

Without civilian control over the military, a democratic Cuba is destined to repeat the same tragic mistake that so many other Latin American countries have made. At the first sign of economic instability or political unrest, the military steps in to run the government. Keeping the military operating within the parameters of its charter is a necessity for maintaining a democracy unless the military can maintain self-restraint and avoid involvement in the political process. As Felipe Aguero emphasizes, "Civilian control is reflected in the ability of a civilian, democratically elected government to 1) conduct general policy without interference from the military, 2) define goals and the general organization of national defense, 3) formulate and conduct defense policy, and 4) monitor the implementation of military policy."<sup>82</sup>

Civilian control of the Cuban armed forces necessitates military compliance with government authority. Cuban government officials will have to control the military's missions and organization and have authority over state policy, free from military interference. The armed forces for their part must act within the rule of law.<sup>83</sup> For this to be achieved Karl highlights two critical tasks: "first, to arrive at a sufficiently strong consensus about the rules of the game so that no major elite is tempted to call the military

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<sup>81</sup> Schedler, 40-41.

<sup>82</sup> Aguero, Felipe. (1997). Toward Civilian Supremacy in South America. In Larry Diamond, Marc F. Plattner, Yun-han Chu, and Hung-mao Tien (Eds.). Consolidating the Third Wave Democracies. Baltimore, Maryland: The John Hopkins University Press. 177-178.

<sup>83</sup> Trinkunas, Harold. (2000). Crafting Civilian Control in Emerging Democracies: Argentina and Venezuela. Journal of Interamerican Studies and World Affairs, Volume 42, 3.

to protect its vital interests and, second, to begin to design conscious strategies for the establishment of qualitatively new civil-military relations appropriate to future stable civilian rule.”<sup>84</sup>

A democratic Cuban government’s ability to keep the military out of daily governance is largely dependent on popular support from the Cuban people. Aguero poses the following rubric, “A government’s capacity to promote democratic policies regarding the military is affected by its ability to maintain high levels of public support. The ability of a government to maintain high levels of public support is often the result of its success in handling the economy.”<sup>85</sup>

Methods for separating the Cuban military from the political process, as outlined by Harold Trinkunas, range from appeasement to monitoring, “divide and conquer,” and sanctioning. He defines each in the following way.

All are generally aimed at the officer corps. In the weakest strategy, appeasement, the government adopts policies and budgets that satisfy the interests of the officer corps in the hope of discouraging military intervention in politics. Monitoring relies on external and internal agents to maintain surveillance over the armed forces and inform the government of potential threats. Divide and conquer strategies generate civilian leverage by exploiting internal military cleavages and encouraging competition within and among state security forces, thereby raising the military’s cost of intervention. Sanctioning strategies use the fear of punishment to induce military cooperation with a democratic regime.<sup>86</sup>

As Trinkunas goes on to write, there is a limited window of opportunity for the Cuban civilian authorities to take control of the military. If they wait too long they may only be in a position to appease the military. However, if the new civil authorities are able to grasp control quickly, they can control the military over the long-term with divide and conquer or sanctioning strategies, which do not require repeated confrontations because these strategies have the effect of modifying the officer corps’ interests.<sup>87</sup>

Schedler’s unbreakable chain within the context of civilian control over the military specifically states, “The winners [of elections] must be able to assume office,

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<sup>84</sup> Karl, 12.

<sup>85</sup> Aguero, 1997, 192.

<sup>86</sup> Trinkunas, Harold. (2000). Crafting Civilian Control in Emerging Democracies: Argentina and Venezuela. *Journal of Interamerican Studies and World Affairs*, Volume 42, 3.

<sup>87</sup> Trinkunas.

exercise power, and conclude their terms in accordance with constitutional rules,”<sup>88</sup> this means without the interference of the military, even during economic crises or times of political unrest. A new Cuban constitution, not the power of the military, should be the binding document that guarantees the existence of an exacting political process. If Cubans are successful, they will guarantee themselves exclusion of the military from the political process and civil oversight of all military affairs.

## **C. COMPARISON OF IRAQ AND CUBA**

### **1. Contestation over Policy and Political Competition for Office**

As is evident following the U.S. led invasion, Iraq is in a state of great turmoil and devastation. Prior to the invasion, the Baath Party and Saddam Hussein controlled all forms of governance, however, since then, all political calculations and interactions have become highly uncertain. Theoretically, the dynamics of Iraq’s transition are to revolve around strategic interactions and tentative agreements between the different Iraqi factions. To a certain degree, the interim Iraqi Coalition Provisional Authority (CPA) is accomplishing this. However, there remains considerable factionalism among the Shi’a, Sunni, and Kurd groups that populate various area of the country.

Iraqis vying for positions of power have found it very difficult not only to create interests, support, and trust outside there own ethnic/religious groupings, but also running for political office has become a life threatening occupation. The acts of terrorism perpetrated by Iraqi nationals and foreign insurgents have created a deadly environment for anyone embracing democratic reforms. The hunger for democratic reform and greater opportunities has given the people of Iraq a voice they would not have otherwise had under Saddam and the Baathists. Nevertheless, until greater control can be maintained over the violent factions, contestation over policy and political competition for office will be very limited. Iraq still requires a legally mandated system created, supported, and administered by the Iraqi people that protects the political contenders from the fraud and physical threat, which often leads to the disenfranchisement of the voters. Without such a system, the people of Iraq could possibly slip into the grasp of another Saddam Hussein once the United States can no longer afford to invest so heavily in the future of Iraq and its people.

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<sup>88</sup> Schedler, 41.

The Cubans under the Cuban Communist Party (CCP) and Fidel Castro are dealing with a set of circumstances very similar to that of the Iraqis under the Baathists and Saddam Hussein. Under each system, a small group of political elites dominated the political agenda creating only a very limited range of political alternatives. While the Cuban population is not nearly as factionalized as the Iraqi population, there is still a distinct difference between the “haves” and “have nots.” This distinction and any fallout from a violent transition in power could quite possibly lead to a long period of uncertainty post-Castro. It is possible that Cuba could experience periods of violence similar to those in Iraq, but with it being an island nation so close to the United States there is less likelihood of intervention from foreign insurgents. With less likelihood of foreign intervention, Cubans have a greater opportunity to realize that political activism is about average citizens wielding power. Cuban citizens, like Iraqis, must create political alternatives that challenge what has been the long-standing status quo under Castro. Cubans will have to realize that they are free to develop their own political preferences.

## **2. Participation of the Citizenry**

Over the years, Saddam Hussein and Fidel Castro have held elections in an attempt to validate the legitimacy of their rule. However, such elections by no means meet the free and fair test. The results of these elections have been highly predictable, with heavy intimidation and fraud running rampant. Participation by the populace was as obligatory as membership in the Baath or Cuban Communist Parties has been to secure regime controlled government employment. Membership in the Baath Party or the CCP has been the true determinant of an individual’s power within the political system. Party membership has been more necessary as a prerequisite for employment than it has reflected any real political choice. The people of Iraq and Cuba have no more been able to make a political choice than they chose to be born. Failure to be a member of the party has meant exclusion, and in turn, poverty. This mandatory membership for prosperity cycle is changing in Iraq, as it has to in a post-Castro Cuba.

Party affiliation lines are considerably easier to distinguish in Iraq, as they tend to follow ethnic or religious lines. Cuba, on the other hand, presents more of a challenge as to which issues will differentiate parties, considering a majority of the populace is



Catholic and mulatto. In all likelihood, Cubans will vote along family, personal affiliation, and business/trade lines until viable alternatives are developed. While party development in a post-Castro Cuba is hard to predict, one likely source of party leadership will be the heroes of the democratic transition as such individuals generally develop strong followings. There is also the possibility that alternatives may develop out of those that oppose or support foreign intervention in the rebuilding process in Cuba. It is likely that some factions will take an isolationist stance and push Cuban sovereignty issues. Cubans returning from the United States may even have enough power given their family ties and greater cash resources to establish political platforms that could gain popular support.

The work done to reinforce universal suffrage in Iraq must be repeated in Cuba. The key to participation of the citizenry requires the involvement of the people. There cannot be exclusionary restrictions based on property ownership, education, gender, or ethnicity. As with the Iraqis, Cuban rights to participation must be protected through a secret balloting process to prevent coercion and bribery so that their elections truly are free and fair.

A major question will need to be answered as to whether the Cuban Communist Party or any of its former members will be permitted to participate in the regime change. The “No Baathists” policy in Iraq has generated mixed reviews. Because of some Iraqi’s Baathist affiliation, they cannot be employed to aid in the expeditious recovery of Iraq. With so many Cuban technical experts being party members, it is actually infeasible to eliminate them all from the political process, as they will be needed to repair and run the civil infrastructure. As the United States has discovered in Iraq, many minor party members tend to be card-carrying party members in name only. The civil society that evolves into of a free Cuba will have to make the tough decision as to what necessities or luxuries they are willing to give up until a democratically elected administration is in place.

Like Iraq, Cuba will have to empower civic action groups to resolve local community problems until a formal governmental apparatus is in place. This could take the form of the interim Coalition Provisional Authority until a permanent solution is found. In Cuba, as in Iraq, civil society actors will have to learn to work together to

make certain they have a voice in the political process, thus ensuring that the Cuban people's basic needs are being met. The void left by Castro, and like that left by Hussein, will have to be filled by an enfranchised populace that is willing to step forward and make the tough choices about what kind of democracy they want, and which basic needs should be met first.

### **3. Accountability of Rulers to the Ruled**

Castro, like Hussein, has manipulated all facets of Cuban life, disfiguring all vestiges of fairness, equality, and justice. Both Castro and Hussein, in their own way, proved able to maintain order, adjudicate disputes, construct infrastructure, facilitate economic exchange, defend the national borders, and collect taxes necessary to fund these activities, as an essential part of a stable government, but at what cost? If anyone was bold enough to actively dissent against either regime, they did not live long or spent years, if not, decades in prison. Questioning of these regimes was simply not tolerated, even to the point of Hussein murdering members of his own family as his widowed daughters can attest. In comparison, Castro generally only sentences those defying his decrees to long terms in prison. Nevertheless, neither ruler personified the traits of tolerance, transparency, or openness.

In each country's case, a new constitution is required in order that the government once again is able to govern efficiently and effectively. These constitutions need to be single documents containing the basic rules of democratic governance that can only be changed by special majorities, not rewritten to cater to the wishes of a Castro or Hussein. Whether the people of Cuba choose a presidential, parliamentary system, or another form of government, the onus will be upon the newly elected officials to ensure the process remains truly democratic.

In Cuba, as in Iraq, a strong judiciary needs to be created that interprets constitutional provisions and provides checks and balances for executive and legislative actions. The judiciary must ensure that bureaucratic integrity and professionalism support the electoral process. Full support by the chief executive, regardless of the outcome, is a cornerstone of the democratic process. Newly formed Cuban governmental institutions must fully support the political process within the rule of law to ensure competent and neutral election management. Otherwise, disenfranchisement by the

elected officials and electoral processes will occur, leading to greater turmoil and political unrest.

#### **4. Civilian Control over the Military**

Castro and Hussein both maintained strong control over the military either personally or through nepotism. Each ruler's tenure is due in large part to his ability to quell all forms of dissent through the use of the military. In each case, the military was utilized as much to maintain control over the populace, as to protect the country's frontiers. Understanding this relationship between Hussein and his military, the United States immediately disbanded the Iraqi military once relative control was gained. This left a power vacuum that was somewhat, but only somewhat, filled by the coalition forces. Given this short-term solution, coalition forces must now continue to serve this role until the new Iraqi Army is operational and capable of maintaining the peace.

Raul Castro's long tenure as the head of the Cuban military is as damaging to an impartial Cuban military as Hussein's rule was in Iraq. It is very unlikely that the Cuban military will be able to remain intact after a regime change in Cuba. However, an effort to completely rebuild Cuba's military is probably not necessary because the lower echelon personnel who are not guilty of human rights violations and who do not remain loyal to the former Castro regime can form the building blocks of a new force. A divide and conquer strategy that generates civilian advantage by exploiting internal military cleavages and encouraging competition within the military is a viable alternative under these circumstances. In Iraq, the total restructuring of the military has now necessitated a very long-term commitment by the United States. This may not be a desirable course of action in Cuba considering the associated costs. Great care must be taken by the United States to create a military that is not capable of overthrowing a democratic government. Emphasis will have to be placed on the subordination of this new Cuban military to a newly elected civil authority, as was done Iraq. In both countries, the military should look to the civilian authorities for guidance on national defense policy, its missions and organization and, most importantly, the military cannot get involved in the political process of running the government.

#### **D. RECOMMENDATIONS**

Before the United States becomes irreversibly enmeshed in the democratization of Cuba, a viable exit strategy must be part of an integrated campaign plan. The lack of an effective exit strategy is a sure sign that the mission commander or administration official does not understand U.S. long-term objectives. Without a detailed understanding of these objectives by the upper echelons of the U.S. government and military, how can the personnel directly involved in the nation-building process be expected to rapidly empower a democratic Cuban government. Furthermore, there cannot be a long dramatic pause between the end of the anticipated hostilities and the attempt to institute democratic institutions. As we saw in Iraq, a delay in the rebuilding and democratization process only provides opposition groups the opportunity to reorganize and attack the very fiber of democracy by denying the rights of free speech, participation in the political process, and political alternatives.

As part of our support to a democratic Cuban government, we as a nation must remember that a truly democratic government reflects the will of the people. We must be willing to accept that a democratic Cuban government may not necessarily be a pro-United States government. If asked to leave, the United States must be willing to do so in a timely and orderly fashion. As hard as it may be to swallow, if we promise large numbers of reconstruction dollars, the United States must be willing to allow the new Cuban government to spend the aid dollars in the way it deems necessary. Of course, if the new Cuban government becomes too anti-American, this financial support can be withdrawn.<sup>89</sup>

While the ultimate decision about what form of government a democratic Cuba adopts rests with the people, a viable recommendation is a variation of the Westminster Parliamentary model, where the power resides with the prime minister (this position fuses the legislative and executive branch since the prime minister is both executive officer of the state and head of his party in parliament). This form seems to fit well with the norm in Latin America of having a strong leader, but the support of the legislature is still required for the chief executive and the cabinet to retain power. Under the Westminster model, an ineffective, oppressive, or Left-leaning leader can be forced out of power by a

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<sup>89</sup> Whitbeck, John V. (2004, November). An Elegant Exit From Iraq. The Washington Report on Middle East Affairs, 23, 9, 23.

vote of no confidence from the parliament. This control measure can protect against unconstitutional seizures of power, which have occurred on numerous occasions in Latin America.

As with any political system, buy-in by the citizenry through participation in the political process is a necessity. Therefore, above all else, the power must remain with the Cuban people and not rest in the hands of a few political elites who may or may not be holdouts from the Castro regime. The United States can effectively weed out the Castro regime holdouts by delegitimizing their power base and refusing to deal with them. By reducing their influence, the United States can eventually relegate them to insignificance.

A new written constitution is needed to replace the 1976 constitution that reeks of Fidel's decades-long, autocratic rule. It needs to be a single document containing the basic rules of democratic governance that can be changed only by special majorities, not rewritten to cater to the wishes of a single individual, and which promotes the rule of law for the state and all its citizens. An interim constitution may be necessary to provide initial stability and parameters for the development of a more inclusive and viable solution in the form of a permanent constitution.

A strong Cuban judiciary branch needs to be created that interprets constitutional provisions and provides checks and balances for executive and legislative actions. The judiciary must be impartial and not aligned with a particular political party. The chief executive cannot be allowed to place undue pressure upon the judiciary, which must function independent of the political process. The judiciary branch must also be prepared to bring those to justice that have violated the human and legal rights of the Cuban people during the transition to democracy. It does no good to pursue those responsible for these crimes if there is not a functioning legal system that can incarcerate the guilty.

Total enfranchisement of the civil society is a necessity if democracy is to gain a substantive foothold in Cuba after so many years of isolation and dictatorship. The OAS can play a major role in helping the people of Cuba to understand the democratic process. As previously discussed, one of the key roles the OAS plays is to strengthen democratic institutions and practices. Guided by the principles of the Democratic Charter, the OAS supports efforts to decentralize governments, modernize political parties, strengthen

national legislatures, and consolidate democratic values and culture.<sup>90</sup> Even though the United States will likely play the leading role in bringing the people of Cuba out from under the oppressive thumb of Castro, a coordinated effort involving the other countries of the Western Hemisphere will only help to legitimize the U.S. efforts. A coordinated effort involving more than just the United States will help create a sense of unity that also spreads the levels of participation between several countries. In this manner, the United States can maintain influence in Cuba with the people while not taking on the full economic and political burden.

A final thought on governance is that although the electoral process and the transfer of power to a democratic government are important, another aspect of the democratization process must be considered, which is “premature elections.” According to Ottaway and Carothers, the dangers of this hazard are:

Rushing to elections in countries emerging from conflict or sudden regime collapse often prevents the necessary process of negotiation over the basic political rules and bargains for a new democratic system. Holding elections without a solid underlying political consensus on the rules and substance of a new political system represents at least two major dangers. First, some of the major political forces may lack the confidence that if they do poorly in the elections their basic interests will still be protected by the system. They may refuse to accept the results unless they win...The second danger of early elections is that they can increase the power of radical, uncompromising groups. Such political forces tend to be the first to organize in post-conflict situations and do well in hurried elections.<sup>91</sup>

Therefore, in our support to the democratization of Cuba, the United States must ensure that we do not try to rush the electoral process. While it is still vitally important that we engage the people of Cuba as quickly as possible, it would not be prudent for them to hold democratic elections until truly viable political alternatives have had time to develop. As this section has discussed, many things must be taken into account when dealing with the democratization of Cuba. However, if we focus on guaranteeing Karl’s four dimensions—contestation over policy and political competition for office; participation of the citizenry through partisan, associational, and other forms of collective

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<sup>90</sup> Smith, 8.

<sup>91</sup> Ottaway, Marina, & Carothers, Thomas. (2003, October). *The Right Road to Sovereignty in Iraq. Policy Brief, 27*. Washington, D.C.: Carnegie Endowment for International Peace. 2.

action; accountability of rulers to the ruled through mechanisms of representation and the rule of law; and civilian control over the military-ours and the Cuban people's chances of success will be that much greater.<sup>92</sup>

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<sup>92</sup> Karl, 2.

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### **III. ECONOMIC REFORM**

#### **A. REVOLUTIONARY ECONOMIC POLICY AND PRACTICES**

The performance of the Cuban economy in the Castro era has suffered through numerous setbacks. Mismanagement by Castro and the subordinates he has appointed to develop economic policy has created a system that has grown to be heavy dependent on a single industry, sugar. Sugar for a long time has been the mainstay of Cuban livelihood; however, fluctuations in the international sugar market have often created a boom or bust existence for the Cuban people. In this section, an over view of economic development during the Castro era is presented to provide a basic understanding of the triumphs and tragedies that have defined Cuban economics under Castro.

The elimination of old power groups to include the military, political parties, labor unions, and agricultural and professional associations, characterized the first stage of the Cuban revolution. Early revolutionary policies were formulated to reward the Cuban middle class that had backed Batista's overthrow. The changes included land reform, improvement in salaries and benefits to workers, diversification of agriculture industrialization, regulation of foreign enterprises, and administrative reforms. Wealth and income were redistributed to the middle and lower classes. Services were improved and extended to the whole population through social services and lower utility rates, taxes, and rents. In May 1959, the Law of Agrarian Reform created the National Institute for Agrarian Reform to assist rural workers and by 1961 over a million hectares of land had been redistributed, 167,000 sugar workers had joined cooperatives, and about 50,000 still worked for wages at private farms.<sup>93</sup>

Castro's government believed it should industrialize through import substitution to diminish Cuba's dependence on sugar, create new jobs, reduce imports, and diversify exports. The Law of Agrarian Reform gave the government the power to restructure the agricultural sector, permitting sugar to become the most important item on Castro's agenda. However, on July 5, 1960, the U.S. government cancelled its import quota of Cuban sugar. In turn, Castro responded by nationalizing U.S. enterprises operating in Cuba. By October 1960, 382 other large Cuban-owned enterprises and most foreign

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<sup>93</sup> Rudolph, 39-40.

banks were nationalized. All these events enabled Castro to speed up the pace of socialism for all means of production.<sup>94</sup>

In February 1960, the Soviet Union and Cuba began to cozy up to one another following a visit to Havana by Soviet First Deputy Premier Anastas Mikoyan. Diplomatic relations began on May 8 and trade agreements were made that included \$1 million of credit to Cuba for the purchase of industrial equipment and technical support, plus the Soviet purchase of almost 400,000 tons of sugar in 1960 and another 4 million by 1964. Finally, in April 1961, Castro openly admitted to the socialist nature of the revolution and the following December he declared himself a Marxist-Leninist.<sup>95</sup>

In 1960, the United States began a unilateral embargo against Cuba, breaking all diplomatic ties on January 3, 1961. The void left by the cessation of U.S. aid and technical assistance was replaced by a Soviet-style centralized system. Under this new system, Cubans were to be prepared to hold managerial positions, and the union movement was to be used as a channel for the central administration of the people. Economic growth and industrialization were to be generated through lower public consumption and higher rates of investment into advancement of industry.<sup>96</sup>

Following the Bay of Pigs, Castro was able to consolidate his regime further, but Cuba saw a sharp decline in sugar production, which hampered its ability to fund industrialization. To compensate for the loss in export earnings, Castro restricted and even rationed domestic sugar use. The relationship between the Soviet Union and Cuba became tense for several years following the Cuban Missile Crisis.<sup>97</sup>

This estrangement led to closer ties with China, whose revolutionary strategy was closer to that of Cuba. Che Guevara was placed in charge of economic development. Guevara's idealistic approach was influenced by Mao Zedong's "Great Leap forward" ideology. Guevara had three main objectives: total elimination of the market of "commodity production," creation of a "new man," and the export of revolution to other Latin American countries. Elimination of the commodity market was to be accomplished by collectivizing the means of production. Efficiency was to be increased through a

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<sup>94</sup> Rudolph, 40.

<sup>95</sup> Rudolph, 42-43.

<sup>96</sup> Rudolph, 44.

<sup>97</sup> Rudolph, 45-46.

highly centralized and automated planning system coupled with government financing of all state enterprises and the elimination of material incentives. The idealistic “new man” was to be an unselfish, self-sacrificing, frugal, socialized, and egalitarian human being whose training would be achieved through education, mobilization, voluntary labor, and moral incentives. The combination of these factors would then lead to capital accumulation and the economic development of the society.<sup>98</sup>

Guevara’s ideology led to debate, effectively splitting the camps within Cuba over whether his plan or the Soviet economic model should be initiated. Those supporting Guevara were critical of the Soviet’s domestic and international policies because they did not represent real socialism. Those who supported the Soviet system wanted computerization and advocated self-financing for one-third of all government enterprises, whereby loans given by the central bank had to be paid back with interest and enterprises were allowed to retain part of the profits for reinvestment. Economic efficiency would be attained through institutionalization, with the help of a skilled bureaucracy, and high labor productivity, based on a system of work quotas and material incentives.<sup>99</sup>

In 1963, the second Law of Land Reform eliminated 10,000 middle-sized farms, which were transformed into people’s farms, but by the middle of the year, the economic experiment was already failing. A trip to the Soviet Union by Castro then garnered a 24,000,000-ton sugar deal between 1965 and 1970. While the sugar deal did appear to boost the Cuban economy, it resulted in postponement of further industrialization. The results from the new emphasis placed on sugar proved discouraging as Cuban economic growth fell into negative numbers. Further troubles continued in 1966 when the Chinese defaulted on a rice-for-sugar deal that led to the continued rationing of rice in Cuba.<sup>100</sup>

In mid-1966, Castro endorsed Guevara’s economic plan and began the mobilization of the masses to meet his 1970 sugar production goal of 10 million tons. Since industrialization had failed, Castro needed to reverse Cuba’s trade imbalance, which was heavily oriented toward the importation of food, manufactured goods, and machinery. Sugar was Castro’s only alternative. Guevara’s system was designed to

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<sup>98</sup> Rudolph, 46-47.

<sup>99</sup> Rudolph, 47.

<sup>100</sup> Rudolph, 48-50.

influence the masses to work based on moral obligations instead of material incentives. Such an undertaking was doomed to fail when the economy was already in a state of chaos as a result of ill-planning, managerial incompetence, and Castro's personal improvisation in setting production targets. Although Castro expected positive responses to moral incentives and hoped to inspire dedication from the labor force, absenteeism was rampant by the end of the 1960s.<sup>101</sup>

In order to eliminate dissident movements, Castro launched a "revolutionary offensive" on March 13, 1968. This was a campaign against free enterprise that led to the nationalization of all 55,600 small, privately owned, and operated urban enterprises. As a result, the remainder of the private sector was nationalized, mobilization was accentuated, and capital accumulation reached record levels. However, with the death of Guevara in Bolivia and the chaotic economic situation that followed these reforms, Castro was forced to return to the Soviet economic model.<sup>102</sup>

Failing to meet the 10 million ton sugar production goal in 1970, Castro had to accept the Soviet economic policy. The goal of 10 million tons of sugar had succeeded in depleting the soil substantially, production mills were falling into disrepair, and the country's transportation sector was in desperate need of repair and replacement parts. Admitting defeat, Castro had to make substantial changes.<sup>103</sup>

In 1972, Cuba joined the Council for Mutual Economic Assistance (CMEA) and developed a sugar trading relationship with its members. Cuba's debt to the Soviet Union was postponed and interest cancelled until 1986. New policies de-emphasized moral incentives, encouraged central planning, and oriented the economy towards efficient kinds of production and objective assessment of Cuba's economic future. Additionally, authority was delegated to trusted associates to relieve the burden placed on regime leadership.<sup>104</sup>

With the new constitution enacted in 1976 came a new push towards industrialization, while at the same time promoting agricultural development. The plan called for a more realistic use of land and labor in the cultivation of sugarcane, rice,

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<sup>101</sup> Rudolph, 50-51.

<sup>102</sup> Rudolph, 52.

<sup>103</sup> Rudolph, 52-53.

<sup>104</sup> Rudolph, 54.

tobacco, and basic foodstuffs, as well as in the production of milk, beef, poultry, and eggs. Also, the plan outlined a need to improve the technical aspects of agriculture, such as seed quality, veterinary efficiency, plant protection, soil studies, and agro-chemical laboratories. Industries due to receive special attention were those that produced sugar and molasses, electricity, refined oil, fertilizer, glass containers, paper, tires, nickel and nonferrous metals, iron and steel, farm machinery, buses, televisions and radios, cement, textiles, and furniture.<sup>105</sup>

By the mid 1970s, many conditions for normalization of relations between Cuba and the United States had been met; yet, relations between Cuba and the United States continued to be hampered by Cuba's close ties to the Soviet Union and its growing presence in Angola and Ethiopia. A relaxation of the U.S. trade in the summer of 1975 created new avenues for exchange between the two countries. Subsidiaries of U.S. enterprises were allowed to trade in Cuba, and visits by U.S. Congressmen, business people, scholars, and journalists seemed to point to future normalization of relations. Despite several adverse incidents during the Carter administration, relations warmed between the two countries. However, during the Regan years a number of U.S. policies towards Cuba that had relaxed tensions were reversed. A mass exodus of 125,000 Cubans to the United States further strained relations when Castro purged his jails and asylums one the Muriel Boatlift was underway.<sup>106</sup>

Between 1980 and 1982, Cuba introduced economic reform measures that included a general wage increase and the adjustment of retail prices, permitted state enterprises to directly hire and dismiss labor, allowed free peasant markets to open, promoted decentralization and self-financing for state enterprises, and invited foreign firms to form joint ventures with Cuban enterprises. In spite of these achievements, the economy continued to be affected by certain structural rigidities and external variables. In the mid-1980s, Castro's goal of making the economy independent of foreign powers remained as distant as ever. In 1983, over 87 percent of the value of Cuba's trade was

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<sup>105</sup> Rudolph, 56.

<sup>106</sup> Rudolph, 57-59.

with socialist countries and only 13 percent with market economies. Additionally, the level of Soviet economic aid was estimated to have totaled \$4.2 billion.<sup>107</sup>

In 1966, the Ministry of Finance was abolished and the National Bank of Cuba (BNC) assumed responsibility for the financial management of the economy. Standardized accounting practices fell into disuse and the national budget was thrown out from 1968-1977. In the late 1970s, the System of Economic Management and Planning (SDPE) introduced measures to rebuild an institutional framework capable of controlling and directing the economy. The SDPE restored the importance of market instruments and reintroduced the national budget in 1978. In 1980, the budgetary process was extended to the provincial and municipal levels. The budgetary process was complicated and was still being fine-tuned into the mid-1980s. In the 1980s, the BNC was the sole banking authority in the country. It was responsible for issuing currency, providing short- and long-term credit, financing capital investments, controlling payments and receipts, administering gold and foreign exchange reserves, fixing the exchange rate, obtaining and granting credits abroad, and managing fiscal and monetary policy. The BNC assumed a more vigorous role in the formulation and control of monetary policy and these improved fiscal controls on budgetary allocations enabled a tighter rein to be kept on monetary flows. At the same time, wage, price, credit, and savings account reforms were implemented to valorize and influence the supply of money in the possession of the public. By 1983, the BNC was paying interest on personal savings accounts for the first time since 1968.<sup>108</sup>

Cuba's strong growth performance from 1980 to 1985 was based partly on internal factors, such as strong and improving human resources, substantial investment, and improving labor productivity, as well as economic assistance from the Soviet Union, and the build up of convertible currency debt prior to 1982. In contrast, the economic contraction of 1986 to 1990 was rooted in declining subsidization by the Soviet Union

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<sup>107</sup> Rudolph, 111-112.

<sup>108</sup> Rudolph, 134-138.

and in the convertible currency debt crisis, which choked off imported industrial inputs and killed growth.<sup>109</sup>

By the late 1980s, economic stability began to crumble. The collapse of the Soviet bloc exposed the extent of Cuba's reliance on the Soviets and the December 1990 Soviet-Cuban trade agreement revealed deep divisions between the two governments. Even as the Soviet Union was disintegrating in 1991, the Cuban regime made no bold, strategic counter-move to save its economy. As a consequence, Cuban exports dropped by 80 percent with gross domestic product falling by half from 1989 to 1994. The Castro government waited until 1993 to accept its painful predicament and only then adopted significant reforms. The dollar was legalized for circulation and self-employment was authorized in 160 occupations. The regime reintroduced free produce markets, imposed taxes, allowed privately owned restaurants to open, and transformed state farms into cooperatives. The government also eased foreign investment regulations by passing a law in 1995 that allowed foreigners to own 100% of Cuban businesses and real estate without the threat of expropriation without compensation. Foreign investors had committed \$1.5 billion, equal to \$136 per capita, by 1995. Despite these changes, two factors continued to hinder Cuba's ability to rebound economically. The embargo that the U.S. tightened in 1990, 1994, 1995, and most severely in 1996 still serves to curb Cuba's recovery and, more importantly, the regime retains limits on how much of its economy it will open, even though Cuba joined the WTO in April 1995.<sup>110</sup>

The Cuban government continues to balance the need for economic liberties against a desire for firm political control. The regime has undertaken limited reforms in recent years to increase enterprise efficiency and alleviate shortages of food, consumer goods, and services, but is unlikely to implement extensive changes. The average Cuban's standard of living remains lower than that experienced before the economic depression of the early 1990s. High oil import prices, recessions in key export markets,

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<sup>109</sup> Ritter, Archibald R.M. (1990). Challenges and Policy Imperatives to the Economy. In Horowitz, Irving L. & Suchlicki, Jaime. (Eds.), Cuban Communism. (pp. 237-262). Piscataway, New Jersey: Transaction Publishers. 238.

<sup>110</sup> Bunck, Julie M. (1996). Market-Oriented Marxism: Post-Cold War Transition in Cuba and Vietnam. In Horowitz, Irving L. & Suchlicki, Jaime. (Eds.), Cuban Communism. (pp. 182-204). Piscataway, New Jersey: Transaction Publishers. 187.

damage from Hurricanes Isidore and Lili, and the tourist slump after September 11, 2001 continue to hamper growth into 2002.<sup>111</sup>

Over two years have passed since U.S. businessmen and Cuban officials discussed importation of U.S. agricultural products at the food and agribusiness exhibition in Havana. Since then, Cuba has purchased \$124 million worth of U.S. foods, mostly corn soybeans, rice, and poultry.<sup>112</sup> Most recently, Cuba was considering importing sugar from the United States so that 2.5 million acres of sugarcane land can be converted to food production or forestry.<sup>113</sup>

Essentially, for the past four decades the Cuban government has sacrificed economic gains for revolutionary advancement. Cuba faces problems common to any monoculture export economy, much like oil-rich Iraq, and despite the preferential trade conditions that were assured by the Soviet Union for decades. Though control of Cuban economic life still follows the pattern of foreign dependence established during colonial times, the collapse of the Soviet Union has at least forced Cuba's leaders to realize that without substantial reforms the Cuban economy will forever be sugar dependent. AT the same time, it also has to be acknowledged that as long as the solitary, overarching goal of the Cuban economy appears to be Castro's retention of power, no true move to a free market economy can occur.

## **B. UNITED STATES TRADE EMBARGO**

Any discussion of Cuban economic conditions would not be complete without a brief look at the U.S.-imposed embargo. Although the embargo has been a constant throughout the years, its goals, restrictions, and support from the international community have shifted. In fact, we can discern five distinct periods since the embargo was initiated in 1960:

1. 1960-1962: development of unilateral U.S. embargo against Cuba.

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<sup>111</sup> Cuba. CIA-The World Fact Book. Retrieved December 1, 2003, from the World Wide Web: <http://www.cia.gov/cia/publications/factbook/print/cu.html>.

<sup>112</sup> Bauza, Vanessa. (2003). Food Sales Soar in Face of Political Strains. South Florida Sun Sentinel. [Newspaper, article in archives]. Retrieved October 10, 2003, from the World Wide Web: <http://www.sun-sentinel.com>.

<sup>113</sup> Rice, John. (2003). Cuba May Import Sugar From the U.S. Associated Press. [Newspaper, article in archives]. Retrieved November 10, 2003, from the World Wide Web: <http://news.yahoo.com/news>.



2. 1962-1970: constant efforts to close loopholes, and expanding the scope of the embargo to include hemispheric and global participation.
3. 1971-1980: brief effort to dismantle parts of the policy most offensive to allies and U.S. citizens.
4. 1981-1989: systematic tightening of the bilateral embargo.
5. 1989-2003: expanded efforts at globalization of embargo. Widespread anti-embargo sentiment among U.S. special interest groups and allies.<sup>114</sup>

Since its initiation, six foreign policy goals have been attached to the embargo: overthrow Castro; retaliate for nationalization of United States property; contain the Cuban revolution; break Soviet-Cuban ties; demonstrate U.S. opposition; and change the internal situation in Cuba. Over time, each of these six U.S. policy objectives has met with varying degrees of success or failure.

Rather than inciting the internal rebellion that was initially expected, the embargo proved to be a rallying point for the Cuban people. Castro was able to blame the country's economic misfortunes on the U.S. embargo and gained greater support for his own Socialist agenda. To this point in time, the embargo has not achieved its primary objective of removing Castro from power.<sup>115</sup>

In order to reimburse the original owners of nationalized property, Cuba had planned to issue bonds that could be repaid out of Cuba's annual export earnings from trade with the United States. The Cuban government estimated that 25 percent of these earnings would go to pay off the claims. The United States continues to consider this insufficient, and refuses to discuss it with Cuba despite Cuba's willingness to negotiate the claims since the early 1960s.<sup>116</sup>

Although the embargo has cost the Cuban government an estimated \$40 billion, it did not prevent the Cubans from supporting revolutionary movements. On the contrary, Cuba was most active in supporting militant left-wing movements in Latin America during the early years of the embargo, which were the most difficult economically for Cuba. In fact, the embargo permeated Cuba's internationalist fanaticism with even

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<sup>114</sup> Kaplowitz, 2-3.

<sup>115</sup> Kaplowitz, 4.

<sup>116</sup> Kaplowitz, 4.

greater urgency, as Cuba needed to compensate for the perceived threat from the United States and the substantial economic disturbance the embargo produced within Cuba.<sup>117</sup>

The embargo only served to strengthen Soviet-Cuban ties and locked Cuba more tightly into the Soviet Union's trade and assistance sphere. Additionally, the U.S. embargo of Cuba contributed to the deep division between the superpowers that aggravated the conditions leading up to the Cuban Missile Crisis. Eventually, the relationship between the Soviet Union and Cuba disintegrated during the early part of the 1990s, though the break in relations had nothing to do with the embargo and more to do with the collapse of the Soviet Union. Since that time, the former Soviet Union's influence within Cuba has continued to decrease to the point of irrelevance. Ironically, Russian officials have said that the normalization of relations between the United States and Cuba would have sped Russia's pullout from the island.<sup>118</sup>

Instead of proving to the Cuban people that communism was not in their best interest, the embargo firmly placed into the psyche of the Cuban's minds the complete opposite, the belief that the United States is not an ally. Although the embargo has been successful at meeting the desires and wishes of political interest groups in the United States, U.S. public opinion as a whole appears to support normalization of relations with Cuba rather than continue with the embargo. Any value the embargo may have once had is overwhelmed by the fact that the very existence of the policy has led to domestic disapproval and international condemnation.<sup>119</sup>

In the 1990s, the United States added a new objective, which was to change the internal situation in Cuba. If Cuba were to hold fully free and fair elections under international supervision, respects human rights, and stops subverting its neighbors, the relations between the two countries could improve. This policy shift was due in large part to the elimination of Cuba's threat to U.S. security and U.S. politicians had to find a new reason for the embargo's existence. This new reason explains the twelve precise characteristics, according to the Helms-Burton Act of 1996, that which a transition government in Cuba must demonstrate before the embargo can be lifted.<sup>120</sup>

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<sup>117</sup> Kaplowitz, 5.

<sup>118</sup> Kaplowitz, 6-7.

<sup>119</sup> Kaplowitz, 8.

<sup>120</sup> Kaplowitz, 8-9.

The embargo has successfully prohibited virtually all direct and indirect commercial relations between individuals subject to U.S. jurisdiction and anyone in Cuba for more than a third of a century. Furthermore, the U.S. sanctions policy has prevented trade between Cuba and much of the Western Hemisphere. It is estimated that the embargo has cost the Cuban government over \$40 billion over the past four decades. However, the embargo failed to meet its initial policy objectives because: Cuba was able to circumvent the embargo by turning to the Soviet Union for support; Castro was able to develop effective countermeasures, and most importantly the U.S. sanctions helped to rally Cuban national support; and the goal of the sanctions policy to overthrow Castro was too difficult to achieve through an embargo only policy.<sup>121</sup>

### **C. TRANSITION THEORY: ECONOMICS**

In November 1989, the Institute for International Economics held a conference under the title “Latin American Adjustment: How Much Has Happened?” The intent of the conference was to gain coherence on a series of papers commissioned to study the extent to which Latin American countries had embraced economic reforms. The event’s organizer, John Williamson, presented the main reforms that were widely agreed in Washington, D.C. as needed to restore Latin American economic growth. From this came what Williamson termed the “Washington Consensus.” To some analysts, the phrase refers to laissez-faire minimalist government and disregards anything but the growth of Gross Domestic Product. However, the true intent was to identify those policies that mainstream Washington institutions like the U.S. Treasury, the International Monetary Fund, the World Bank, and the Inter-American Development Bank could agree were key elements in the restoration of growth in Latin America.<sup>122</sup> Williamson explains his reasoning behind the Washington Consensus in the following way:

The 10 topics...deal with policy instruments rather than objectives or outcomes. They are economic policy instruments that I perceive “Washington” to think important, as well as on which some consensus exists. It is generally assumed, at least in technocratic Washington, that the standard economic objectives of growth, low inflation, a viable

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<sup>121</sup> Kaplowitz, 2-10.

<sup>122</sup> Kuczynski, Pedro-Pablo. (2003). Setting the Stage. In Kuczynski, Pedro-Pablo & Williamson, John (Eds.), After the Washington Consensus: Restarting Growth and Reform in Latin America. Washington, D.C.: Institute for International Economics. 24.

balance of payments, and an equitable income distribution should determine the disposition of policy instruments.”<sup>123</sup>

Taking the same analytical approach, the ten points of Williamson’s Washington Consensus will be viewed from a policy analysis perspective and not as objectives or outcomes for a post-Castro Cuba. Economic conditions in a Post-Castro Cuba will be analyzed through the analytical lens of each policy instrument, as defined by Williamson in the following passages, and not as an expected outcome of the democratization and economic liberalization process.

### **1. Fiscal Discipline**

Large and sustained fiscal deficits are a primary source of macroeconomic dislocation, which arrives in the form of inflation, payments deficits, and capital flight. These result not from any rational calculation of expected economic benefits, but from lack of political courage or honesty to match public expenditures and the resources available to finance them.<sup>124</sup>

### **2. Public Expenditure Priorities**

When a fiscal deficit needs to be cut, a choice arises as to whether this should be accomplished by increasing revenues or by reducing expenditures. Often, there is a preference for expenditure cuts as a better way to reduce budget deficits rather than increase tax revenues. Prime candidates for reducing deficits include eliminating or reducing subsidies, cutting military expenditures, and reducing public administration costs. The prioritization aspect of this policy instrument deals specifically with which expenditures are reduced or eliminated and in what order, so that a tight rein is kept on public expenditures and neither the disadvantaged nor the future lose out.<sup>125</sup>

### **3. Tax Reform**

There is a general consensus that an efficient tax system is one with a broad base, sufficiently simple rules to permit effective enforcement, and moderate marginal tax rates. A particular issue within this policy instrument is taxation of interest income from flight capital, which only worsens income distribution. The remedy requires adequate

<sup>123</sup> Williamson, John. (Ed.). (1990). Latin American Adjustment: How much has happened? Washington, D.C.: Institute for International Economics. 7-8.

<sup>124</sup> Williamson, (Ed.), 10.

<sup>125</sup> Williamson, John. (1990). The Progress of Policy Reform in Latin America. Policy Analysis in International Economics, 28. Washington, D.C.: Institute for International Economics. 13-14.

legislation to make such income taxable and an information exchange program so this income can be tracked and tax obligations enforced.<sup>126</sup>

#### **4. Exchange Rates**

A competitive real exchange rate is the first essential element of outward oriented economic policy, where the balance of payments constraint is overcome primarily by export growth rather than by import substitution. In the case of a developing country, the real exchange rate needs to be sufficiently competitive to promote a rate of export growth that will allow the economy to grow at the maximum rate permitted by its supply-side potential, while keeping the current account deficit to a size that can be financed on a sustainable basis. The exchange rate should not be more competitive than that, because that would produce unnecessary inflationary pressures and also limit the resources available for domestic investment, and hence curb the growth of supply-side potential. Growth of nontraditional exports is dependent not just on a competitive exchange rate at a particular point in time, but also on private-sector confidence that the rate will remain sufficiently competitive in the future to justify investment in potential export industries. Thus, it is important to assess the stability of the real exchange rate as well as its level.<sup>127</sup>

#### **5. Property Rights**

Well-entrenched property rights are a basic prerequisite for efficient operation of a capitalist system. While property rights can be a major obstacle to both agrarian reform and urban development, they are still a condition for the establishment of an efficient private sector. In support of property rights, a government must create efficient legal, accounting, and regulatory systems.<sup>128</sup>

#### **6. Deregulation**

Deregulation is a way of promoting competition. Deregulation removes restrictive legislation and government decrees to promote productive activities. Regulatory practices can create economic uncertainty, discriminate against small and medium-sized businesses, and create opportunities for corruption.<sup>129</sup>

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<sup>126</sup> Williamson, 16.

<sup>127</sup> Williamson, (Ed.), 14.

<sup>128</sup> Williamson, 31-32.

<sup>129</sup> Williamson, (Ed.), 16-17.

## **7. Trade Liberalization**

Trade liberalization works hand in hand with a competitive exchange rate on an outwardly oriented economic policy agenda. A policy of protecting domestic industries against foreign competition is viewed as creating costly distortions that end up penalizing exports and impoverishing the domestic economy. Trade liberalization is generally conceded with two qualifications. Infant industries may merit substantial but temporary protection, and a highly protected economy is not expected to dismantle all protection overnight. The ideal situation is one in which the domestic resource cost of generating a unit of foreign exchange is equalized between export and import-competing industries.<sup>130</sup>

## **8. Privatization**

There is a generally held belief that private ownership sharpens the incentives for efficient management and thereby improves performance over state owned enterprises. The threat of bankruptcy helps keep private enterprises efficient, whereas public enterprises are often subsidized beyond efficiency with public funds. Additionally, the revenue received from the sale of government owned enterprises helps ease the pressure on governments and eliminates the need to finance new investments and ongoing deficits from the enterprise itself.<sup>131</sup>

## **9. Foreign Direct Investment**

A restrictive attitude limiting the entry of foreign direct investment in a developing country is regarded as foolish. Such investment can bring needed capital, skills, and expertise, which can either produce goods needed for the domestic market or contribute new exports. Generally, the main reason for restricting foreign direct investments is economic nationalism.<sup>132</sup>

## **10. Financial Liberalization**

Financial liberalization is interpreted as applying to the domestic financial system and does not necessarily imply that there is a need to abolish exchange controls. Liberalization deals primarily with policies that determine interest rates with the consensus favoring market-determined interest rates.<sup>133</sup>

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<sup>130</sup> Williamson, (Ed.), 14-15.

<sup>131</sup> Williamson, 30.

<sup>132</sup> Williamson, (Ed.), 15.

<sup>133</sup> Williamson, 18-19.

These ten policy instruments are what Williamson summarizes as prudent macroeconomic policies that have an outward orientation and geared toward free-market capitalism. As Donald Snow professes, integration of sound fiscal policies as part of the transition to democracy form “the long-term foundation for stability.”<sup>134</sup> In the next section, these policy instruments are applied to Cuba to examine aspects of the Cuban economy that would warrant greater attention by a newly democratic government and potential U.S. advisors.

## **D. THEORY APPLIED TO CUBA**

### **1. Fiscal Discipline**

The National Bank of Cuba (BNC) was reestablished in May 28, 1997 as the Central Bank of Cuba (BCC), a state bank with monetary and foreign exchange authority. The bank’s web site states the bank has the following mission:

Provide the country with an institution, capable of concentrating its efforts in the execution of its central banking functions and established a two-tier banking system integrated by Banco Central de Cuba and a group of banks and non-banking financial institutions, capable of coping with the needs which arise from the development of new ways to organize the internal and external economic relations of the country. As the governing authority of the Cuban banking system, BCC has the mission: issue the national currency and seek for its stability, contribute to the macro-economic balance and orderly development of the economy, keep custody of the country’s international reserves, propose and implement a monetary policy which allows to attain the economic goals established by the country, ensure normal internal and external payment operations, dictate mandatory regulations, and exercise the functions related to the discipline and supervision of the financial institutions and representative offices authorized to establish themselves in the country and of any other entrusted to it by the laws. Besides the aforementioned classical functions, Banco Central de Cuba must undertake other challenges: to improve the monetary system, in such way, that it can make feasible execution of the economic activity, enable its accurate measure, contribute to making efficiency analysis on a real basis and encourage the efficacy of the economy in general and, particularly, work productivity; normalize the external financial relations of the country –including the foreign debt issue- and support credit management of banks integrating the national system and of Cuban enterprises by means of bilateral contacts with other

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<sup>134</sup> Snow, 202.

central banks, export credit insurance companies and other official and private financial institutions.<sup>135</sup>

Cuban foreign debt rose to \$10.9 billion in 2002<sup>136</sup> and is estimated to be up to \$13.2 billion in 2003.<sup>137</sup> Cuba has been in default on much of its debt since the early 1980s, and in the 2002-2003 period Cuba encountered further difficulties in meeting its debt obligations. The government and government-operated companies failed to maintain payment schedules on commercial debts, commercial debt guaranteed by government agencies, and government-to-government obligations to several other countries.<sup>138</sup>

The Cuban government's track record in debt repayment is anything but stellar. Cuba's growing debt, added to the estimated \$15-20 billion that is owed to Russia, is quickly becoming a recipe for economic disaster.<sup>139</sup> The lack of fiscal discipline displayed by the Cuban government and the BCC, in conjunction with the effects of the U.S. trade embargo, may lead to an insurmountable economic hurdle for a transitioning Cuba. Debt relief from foreign investors in the form of lower interest refinancing agreements, debt forgiveness, and grants from third party countries will be necessary to stabilize a democratic government. Greater fiscal discipline, support from the Inter-American Development Bank, and the lifting of the U.S. embargo are part of the likely solution to Cuba's debt woes in a post-Castro Cuba.

## **2. Public Expenditure Priorities**

Since the revolution, Castro has taken great pride in his regime's ability to provide social services to the people of Cuba. Early revolutionary programs included developing a pension system, building schools and other educational facilities, and increasing public health services. These investments resulted in dramatic improvements in social indicators, such as: increase in literacy and in school enrollment; increase in life expectancy; decline in infant mortality; and increase in the availability of physicians,

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<sup>135</sup> Banco Central de Cuba. (2004). Retrieved November 11, 2004, from the World Wide Web: <http://www.bc.gov.cu/English/home.asp>.

<sup>136</sup> Perez-Lopez, Jorge F. (2003). The Cuban Economy in 2002-2003. Cuba in Transition, 13. McLean, VA: Association for the Study of the Cuban Economy (ASCE). 7.

<sup>137</sup> Cuba. CIA-The World Fact Book, 7.

<sup>138</sup> Perez-Lopez, 7.

<sup>139</sup> Cuba. CIA-The World Fact Book, 7.



dentists, and hospital beds. However, the cost of these benefits has been climbing for several reasons: nearly universal coverage, very low retirement ages, the maturity of the pension scheme, and the aging of the population. The loss of Soviet assistance has placed a further strain on the Cuban government's ability to support social services as the leading priority for government expenditure.<sup>140</sup>

In the last two years, Cuba's public expenditure priorities have also shifted from sugar production with the planned closure of 71 mills and about half of the land devoted to sugarcane shifted to other crops. The new focus is on the energy sector: reconvertng power plants to use domestic oil, oil exploration, construction of oil pipelines, and conversion from oil to natural gas in commercial applications. In 2003, the goal was to have at least 92% of electricity generated from domestic oil.<sup>141</sup>

Looking at public expenditure priorities in a post conflict scenario is difficult at best. It is very likely that a substantial portion of the infrastructure will be destroyed or severely dilapidated immediately following conflict on the island. Without knowing what sectors are hardest hit, it is difficult to say which will need the highest priority attention. Traditionally, the provision of food, water, health care, and shelter are the needs that will require immediate attention. Basic utilities such as electric, gas, sanitation, and communication services would likely be the next to receive priority. Transportation, education, expanded health, and civil service organizations will need support to return them to normal levels of activity. Ultimately, commerce and industry would require attention to rejuvenate what is likely to be a relatively stagnant commercial base after a destructive transition in power. The choice as to whether to increase revenues or reduce expenditures really will not be able to be made until an adequate level of normalcy has been achieved within the country, and such decisions then become warranted or even possible.

### **3. Tax Reform**

With the general understanding that an efficient tax system is one with a broad base, sufficiently simple rules to permit effective enforcement, and moderate marginal

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<sup>140</sup> Perez-Lopez, Jorge F. (2003). *The Legacies of Socialism: Some Issues for Cuba's Transition. Cuba in Transition*, 13. McLean, VA: Association for the Study of the Cuban Economy (ASCE). 310-311.

<sup>141</sup> Perez-Lopez, 9-10.

tax rates, the Cuban method of taxation is confused and opaque. Nicholas Sanchez recently wrote, “People in Cuba fail to grasp how the process works, and hence insist that taxes on total income are minimal.”<sup>142</sup> As Sanchez points out, there is a common perception that the paladores (private restaurants), private hotels that collect dollars, and foreign enterprises had the only income that was heavily taxed, with a rate of 40% or higher. After conducting research in Cuba, Sanchez believes there are three plausible reasons for Cubans not understanding their system of taxation,

First, people are not explicitly told, nor do they receive formal documentation to the effect that they face an extraordinarily high tax rate. Second, people in Cuba live in a society that has accepted that the state owns the capital stock; hence one can assume that the people correctly understand – even when they do not correctly state – that the returns to capital (except for shelter) accrue to the state and not to individuals. Third, the Cuban state provides a great variety of goods and services at either very low or at zero prices, and these goods and services would have been purchased anyway if the people had not been taxed at such high rates.<sup>143</sup>

In reality, the Cuban government controls 80% of the income generated by the workers and the capital stock. As Sanchez further elaborates,

The government does so by providing transfer payments and direct services to the population at large (including the workers, of course); these embrace monetary transfers for social insurance, meals at work places, subsidized utilities, educational services, medical attention, etc...Everything else that workers and others in the population get is a direct or an indirect transfer, which the government is able to provide because of the many hidden taxes on salaries and returns to capital.<sup>144</sup>

The current Cuban system of taxation will have to be totally dismantled under a democratic system. A system that is fair, equitable, and transparent will have to be created. The new system will have to leave more disposable income in the hands of workers to support the move to a free market economy. This will allow Cubans to make purchasing decisions and drive economic development based on supply and demand, as was not possible given Fidel’s Communist agenda.

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<sup>142</sup> Sanchez, Nicholas. (2003). Taxation Levels in Cuba – and Other Topics of Rhetorical Interest. *Cuba in Transition*, 13. McLean, VA: Association for the Study of the Cuban Economy (ASCE). 109.

<sup>143</sup> Sanchez, 107.

<sup>144</sup> Sanchez, 106-107.

#### **4. Exchange Rates**

Monetary policy in Cuba is currently based on central planning vice a market economy. Monetary policy planning is carried out by the BCC on exchange rates and legal reserve ratios, along with other requirements. Since 1998, the Comité de Política Monetaria (Monetary Policy Committee) in the Banco Central de Cuba has gathered weekly to: analyze money liquidity development; give its opinion on interest rates to be applied on the financial system; examine the exchange market where Casas de Cambio CADECA S.A. operates; and inspect and decide on everything concerning the country's monetary policy. As part of this process, measures and instruments have been put into practice to control the monetary situation of enterprises, as well as of the population.<sup>145</sup>

The BCC is working on creating a system of banking collectives with the objective of gradually improving control over the money supply. These collectives will control both national currency as well as foreign currency. Their components are liquidity held by the population, on demand or for a term, in addition to savings balances from enterprises and other entities operating within the economy. Due to the dynamic characteristics of the Cuban economy, the most important component of the banking collectives, in order to monitor price behavior, is liquidity held by the population, which includes cash in circulation and call deposit accounts.<sup>146</sup>

The exchange market under the CADECA's informal market exchange rate had remained stable for two years at about 20 Cuban pesos for \$1, but by the end of 2001, it had depreciated up to about 26 pesos for \$1. The existence of three currencies in circulation-the Cuban peso, the convertible peso, and the U.S. dollar-makes it difficult to conduct monetary policy. This is an issue with a focus and solution that is linked directly to the growth of the Cuban economy, the increase in financing of the current deficit in the balance of payments (mainly at medium- and long-terms), and the increase of the international reserves to acceptable levels.<sup>147</sup>

Cuba has had to pay for many of its purchases, especially from the United States, in cash, which places a serious strain on Cuba's foreign exchange holdings. Since 1993

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<sup>145</sup> Monetary Policy. (2004). Banco Central de Cuba. Retrieved November 11, 2004, from the World Wide Web: [http://www.bc.gov.cu/English/mon\\_policy.asp](http://www.bc.gov.cu/English/mon_policy.asp).

<sup>146</sup> Monetary Policy.

<sup>147</sup> Monetary Policy.

when the dollar was allowed a measure of circulation, the Cuban government has slowly tightened its usage and is going to the convertible peso in its stead. Dealing with a trade deficit with its major trade partners, Cuba will continue to have balance of trade problems. The Cuban government's inability to maintain large foreign capital reserves only exacerbates the exchange rate problems that Cuba currently suffers. Conflict as part of a transition in power will only further devalue the Cuban peso which will make it even harder for the Cubans to meet their current debt obligations. Monetary policy following the Castro regime will require significant simplification that is based on a single monetary unit that other countries are confident will retain its value. This will likely require backing from the United States until a democratic regime in Cuba has a proven track record of sound monetary policy and fiscal discipline.

## **5. Property Rights**

Since the Cuban revolution, the Castro government has nationalized almost all forms of personal and commercial property. Under the Fundamental Law of 1959, the Law for the Recovery of Misappropriated Properties allowed for the appropriation of all economic goods embezzled by the Batista regime. The 1989 Law, or the Confiscation of Abandoned Property Law, permitted the Cuban government to confiscate property owned by those persons who left Cuba in opposition to the Castro regime. Early agrarian reforms redistributed privately held lands to those living on or working the land, but this has changed over the years to a centrally controlled cooperative system and small farms. Urban reforms gave tenants title to the property they occupied which is the only real property most Cubans actually can claim as their own. The 1976 Constitution specifically established that all land holdings belong to the state with the exception of small farms and cooperatives. While a tenant may have title to the structure in which he lives, the land on which the structure is situated is the property of the state.<sup>148</sup>

As part of the rebuilding process post-Castro, legal parameters will need to be established to determine the validity of claims on real property. At issue will be the claims on real property by the new democratic government, Cuban citizens, Cuban expatriates, U.S. corporations and citizens, pre-revolution foreign investors, and current foreign investors. This has the makings of a very convoluted and difficult issue that can

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<sup>148</sup> Consuegra-Barquin, Juan C. (1995). The Present Status Quo of Property Rights in Cuba. Cuba in Transition, 5. McLean, VA: Association for the Study of the Cuban Economy (ASCE). 199-201.

severely hamper U.S. and international support efforts to a democratic transition with so many independent interests in the mix. Compensation for the nationalization of U.S. interests was one of the original issues behind the U.S.-led embargo against Cuba, and could limit U.S. support if the issue is not adequately resolved in a very timely manner.

## **6. Deregulation**

For the most part, the Cuban government has maintained a strong public sector and control over private capital instead. Many staple products have been heavily subsidized. Few subsidies have been removed, although certain aspects of the Cuban economy have been deregulated or allowed to flourish, more out of necessity than by choice.

For example, the economic crunch that struck Cuba in the early 1990s led to a large growth in urban agriculture. Imported food and fuel shortages forced many Havana residents to use government-controlled land in the cities to grow crops to feed their families. The government quickly developed a support system for these urban agriculturists and drafted legislation to protect the cultivated land from urban and tourism industry expansion without compensation. Competition for land usage in Havana has become intense and new planning laws place the highest priority on food production. Although the Cuban government deregulated the use of this land for agricultural purposes, regulatory measures are now in place to protect this cottage industry. This subsistence farming has evolved into a thriving sector of the economy that has allowed urban farmers to earn more than many of Havana's professionals.<sup>149</sup>

Regulatory practices had eased through the early 1990s in response to the economic crisis, but an improved economic position after 2000 has led to a gradual return to greater central control that is more consistent with the early years of the Castro regime. The regulatory measures and subsidies the Cuban government supports cannot last long in a post-Castro democratic government. The regulation measures on most of the enterprises in the Cuban economy will have to be removed to promote productive activities as a part of the move to a free market economy. The regulatory practices of the Castro regime that have led to severe economic uncertainty and corruption must be

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<sup>149</sup> Pinderhughes, Raquel., Murphy, Catherine., & Gonzalez, Mario. (2000, August). Urban Agriculture in Havana, Cuba. San Francisco, CA: Urban Studies Program – San Francisco State University.

eliminated before the Cuban economy can show real growth and become a viable member of the world economy.

## **7. Trade Liberalization**

The major hindrance to trade liberalization in Cuba is its inwardly oriented economic policy agenda. With the exception of the sugar and tourism industries, most Cuban trade has been focused inward, which in turn has led to the continued growth in foreign debt. The top five countries for Cuban exports are Russia, the Netherlands, Canada, Spain, and China, with Russia continuing to be the top importer of Cuban sugar. The top five countries that import goods into Cuba are Venezuela, Spain, China, Canada, and Italy. Venezuela continues to be Cuba's leading import-trading partner due in large part to 50-60% of Cuban oil consumption coming from Venezuela. In 2001, the trade deficit, which has shown continued growth since the mid-1990s, was estimated at 3.1 billion pesos. As part of the exceptions to the U.S.-led embargo, the United States exported \$255 million<sup>150</sup> in agricultural goods to Cuba in 2002 and the number was nearing \$150 million<sup>151</sup> in late 2003.<sup>152</sup>

Only the explicit protection measures guaranteed to foreign investors has permitted growth in Cuba's tourism industry. Tourism revenue, which comes mostly from Europe, suffered following the September 11, 2001 terrorist attacks, but has rebounded and is the only economic sector displaying true growth. However, the protectionist policies of the Castro regime, which are generated more for the protection of the regime and Communist ideology than to protect the economy, continue to hinder economic growth. These protectionist policies against foreign competition are creating costly distortions that are penalizing exports and impoverishing the domestic economy. As the 3.1 billion peso negative trade deficit suggests, the resource cost of generating a unit of foreign exchange is well above the desired equilibrium between export and import-competing industries.

A necessary first step to revitalizing the Cuban economy post-Castro will be to liberalize trade so that the burden of rebuilding can be shared among a coalition of the

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<sup>150</sup> Perez-Lopez, 6.

<sup>151</sup> Bauza, 1.

<sup>152</sup> Perez-Lopez, 5-6.

willing. A boost from further foreign investment coupled with the likely desire by many Cubans to improve their economic status can possibly fuel industrial growth that will lead to greater productivity and export-based industries. Obviously, a country like Cuba with such a great need for modernization will go through a tough initial period of heavy importation to bring its infrastructure into the 21<sup>st</sup> century, but if this initial period is balanced against a comprehensive plan for short-term protectionist policies that gradually expire, the possibility for a democratic Cuba developing a market economy is quite likely. What is needed is a tempered agenda of import substitution to kick-start the economy, but then a definitive plan for lowering these trade barriers has to be part of an integrated plan for trade liberalization.

## **8. Privatization**

Privatization of state run enterprises has been a gradual and very limited process that began in the early 1990s as a means of ensuring Cuba's economic survival in the wake of the collapse of Soviet aid. Gradual privatization is generally used in countries that seek to retain a centrally planned economic system. The alternative is a rapid privatization in which the goal is to attract private investors and foster the re-emergence of a domestic enterprise sector. This second method is more appropriate for handling the transition from a state controlled to a free market economy.<sup>153</sup>

For example, Cuba's tourism industry has privatized to varying degrees with the help of foreign direct investment. Joint ventures between state-owned Cubanacan and several international firms, such as the Spanish group Sol Melia, place Cuban properties under the management of the foreign firms.<sup>154</sup> The citrus industry is also working with several foreign investors to stem the 40% decline in production it experienced in the early 1990s. British, Greek, Chilean, and Israeli companies have developed joint managerial and production ventures with the Cuban National Fruit Company that have significantly revitalized the slumping industry.<sup>155</sup>

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<sup>153</sup> Travieso-Diaz, Matias F. and Ferrate, Alejandro. (1997). Legal Foundations for a Successful Privatization Program in Cuba. Cuba in Transition, 7. McLean, VA: Association for the Study of the Cuban Economy (ASCE). 323-324.

<sup>154</sup> Travieso-Diaz and Ferrate, 331-332.

<sup>155</sup> Travieso-Diaz and Ferrate, 332-333.

Privatization of Cuban enterprises will be as much a political as an economic process. As Travieso-Diaz and Ferrate comment,

Cuba's privatization process will accompany the restructuring of an entire political, economic, and social system. Therefore, privatization of state-owned enterprises in Cuba is likely to elicit the political scrutiny, and often opposition, that is common in post-Socialist environments. Cuba's privatization will involve a variety of government actions including the breaking-up of state-owned enterprises, the search for new owners, the transfer of state assets to the private sector, and the closing of unproductive operations.<sup>156</sup>

This process will only be made more difficult with the devastation that is anticipated in a post-conflict transition. The pillaged remnants of the already dilapidated Cuban infrastructure will be all that likely remain. In many cases, all that Cuba will offer a perspective investor is a new market, because much of the physical capital will be destroyed or too old to be compatible with many 21<sup>st</sup> century technologies. Furthermore, the economic uncertainty involved in negotiating contracts with a new transitional government places great risk on any foreign direct investment. To compensate for much of the uncertainty involved in investing in a newly democratic Cuba, the financial and political support of the IADB, WTO, World Bank, IMF, and United States will be necessary for many enterprises to assume the risk associated with investing in Cuba.

## **9. Foreign Direct Investment**

In an effort to recover from the severe depression of the early 1990s, Castro permitted economic reforms that allowed foreign direct investment. Yet, approval is still required through the Ministry of Foreign Investment and Economic Collaboration before a foreign enterprise can make a capital investment. There are varieties of ways these foreign enterprises can invest in Cuba. There have been direct capital investments into Cuban enterprises, partnerships with Cuban nationals, and outright purchases of Cuban real estate. All these investment are conducted only with the final approval and under the watchful eye of the Cuban government.

The primary avenue for foreign direct investment has been in the tourism industry. The tourism industry was showing double-digit growth for several years until it slumped following the terrorist attacks on September 11, 2001. However, as part of the

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<sup>156</sup> Travieso-Diaz and Ferrate, 328.



Cuban economic plan for 2003, the Cuban government wanted to construct about 2,000 additional rooms for tourists, bringing the total number of tourism-suitable rooms to over 40,000. The intent for 2003 is to bring in as many tourists as possible since the occupancy rate had averaged just over 57% for the last two years. The growth of the tourism industry has been the primary boost to the Cuban economy since the financial crisis of the early 1990s. So, as the tourism revenue goes, so goes the Cuban economy.<sup>157</sup>

Recently, a large Spanish oil and gas company, Repsol YPF, began a joint venture with Cubapetroleo, the government-owned oil company of Cuba. The joint venture that began in June 2004 was established to search for oil off the northwestern coast of Cuba. The discovery of oil could be a significant boost to the Cuban economy and could help Cuba solve its foreign debt problems. Sherritt International, a Canadian oil company, has been active in Cuba for a decade and its efforts have helped raise Cuban oil production from 10,000 barrels a day in the early 1990s to the current production level of about 75,000 barrels a day.<sup>158</sup>

Current foreign direct investment has brought about significant improvements to the Cuban economy. Without the foreign direct investment, the economic situation in Cuba would have likely collapsed into complete and utter disarray. These investments have laid significant groundwork for the rebuilding of a post-Castro Cuba. These foreign investors will want to protect their investments before, during, and after a potential conflict. If the devastation is not too great, these enterprises will likely want to rebuild quickly so they can start making a profit again. Additionally, a wide-open economic situation in Cuba will give these established enterprises an opportunity to diversify in such a virgin market. A stable economic environment will build confidence for foreign direct investment and will help modernize a country that has progressed little since the 1960s.

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<sup>157</sup> Perez-Lopez, 4-10.

<sup>158</sup> Romero, Simon. (2004, July 5). Spanish Seek Oil Off Cuba, As Americans Watch Silently. The New York Times. [Newspaper, article in archives]. Retrieved July 6, 2004, from the World Wide Web: <http://www.nytimes.com>.

## **10. Financial Liberalization**

The BCC credit policy is based on affecting financing in national currency as well as in foreign currency. This is accomplished through intermediary banks under a strict risk analysis process. Loans are made to the population in national currency; interest rates approved at the end of 1998 are still applied for three loan categories: consumer loans with an interest rate up to 8 percent; investment loans with 9 percent as the maximum, and cash loans with an interest rate up to 9 percent. Interest rates for loans to enterprises in convertible currency are around 11 percent.<sup>159</sup>

Cuban banks are authorized to take deposits in national currency from Cuban citizens with interest rates shifting from an annual 2.5 to 7.5 percent, according to a term that varies from three months to three years. This allows the population to place new resources into savings and the Cuban government can control part of the ordinary savings they hold for specific time periods, which then allows the government to control the money supply.<sup>160</sup>

Interest rates on deposits in foreign currency are fixed by commercial banks and related to international interest rates prevailing at that time. Commercial banks have been authorized to take fixed deposits in national currency from enterprises that are engaged in the entrepreneurial improvement system. The legal reserve or minimum reserve ratio continues to be applied on demand deposits of commercial banks. It is fixed at ten percent for national currency and at 5.5 percent for foreign currency. This instrument of monetary policy has enabled the BCC to act on the liquidity of the banking system through the expansion or contraction of credit given to the economy.<sup>161</sup>

While it is beneficial that Cubans can now gain income from interest bearing accounts, the system is still based on a centralized decision cycle and not market determined. The natural fluctuation in a market-determined system, which allows consumers to make personal financial decisions, is non-existent, depriving the average Cuban of the democratic ideal of choice. The creation of a market-determined system

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<sup>159</sup> Monetary Policy.

<sup>160</sup> Monetary Policy.

<sup>161</sup> Monetary Policy.

will greatly assist in economic development and financial liberalization as part of a democratic transition.

## **E. COMPARISON OF IRAQ AND CUBA**

A post-Castro Cuba that has long suffered from fiscal mismanagement and authoritarian rule might look somewhat similar to post-war Iraq, where a complete restructuring of the economy has been required. A lesson that has been learned in Iraq and in several former Soviet-bloc countries is that progress will be difficult without the creation of a sound monetary system. Based on the assumption that a sound monetary system will be required for a post-Castro Cuba, the application of the reconstruction tasks outlined by Robert Looney in *A Monetary/Exchange-Rate for the Reconstruction of Iraq* may well be appropriate for the reconstruction and modernization of Cuba.<sup>162</sup> The tasks that Looney outlined as necessary for the recovery of the Iraqi economy include, but are not limited to, the following:

### **1. Repair a Wrecked and Neglected Banking System**

One of the initial steps that Looney recommends is to repair a wrecked and neglected banking system. Like Cuba, Iraq had three currencies in circulation—the “Swiss” dinar, the “Saddam” dinar, and the U.S. dollar. An immediate stopgap solution for Iraq was to dollarize. The dollar can circulate as the principle means of payment in Cuba as well, with the money supply to be determined by Cuba’s balance of payments position until the Cuban economy is stable enough to recirculate the peso.<sup>163</sup>

The reestablishment of interest bearing accounts that pay market driven returns, backed by government guarantees without the threat of seizure, will help build the average Cuban’s confidence in the rebuilt banking system and democratic government. Granting low interest loans to perspective businessmen will help stimulate economic growth and assist in creating an economic class stratum with a consuming middle class.

### **2. Service and Restructure National Debt**

In the fall of 2003 Iraq was thought to have external financial obligations consisting roughly of \$127 billion in debt, \$57 billion in pending contracts, and \$27

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<sup>162</sup> Looney, Robert. (2003). *A Monetary/Exchange-rate Strategy for the Reconstruction of Iraq. Middle East Policy, Volume X, 3*, 33-42.

<sup>163</sup> Looney, 35.

billion in compensation due to the victims of the Iraqi invasion of Kuwait.<sup>164</sup> In comparison, Cuba is estimated to have a \$13.2 million convertible currency debt and another \$15-20 billion owed to Russia in 2003.<sup>165</sup> The Iraqi government has the ability to service its larger debt with the substantial proceeds from the oil industry, whereas the debt that Cuba currently carries can only be balanced against the more meager returns from the tourism and sugar industries.

The servicing of the Cuban debt, as in Iraq, is an important and necessary step to achieving the desired increase in foreign direct investment that would be a substantial boost to the Cuban economy. However, foreign direct investment will not materialize until investors feel confident that the new Cuban government is firmly established and able to repay its debts. Additionally, foreign direct investment is a key element of the rebuilding process, but the short-term gains from this capital input must be accurately weighed against the long-term costs. There must be a universal understanding among the new democratic regime that while foreign direct investment is good for economic growth, an increase in the national debt level will likely be a destabilizing factor for the economy and for public confidence.

### **3. Resurrect a Whole Spectrum of Dilapidated Industries**

Iraq and Cuba both suffer from a narrowly focused and dilapidated industrial sector. Years of economic sanctions have taken their toll on the industrial base in both countries, which have become technologically outdated and are in a general state of irreversible disrepair. Desperate civilians in the wake of the U.S. military's advance across Iraq pillaged much of the industry that had been functional, which left dysfunctional industrial skeletons dotting the landscape. This has forced many Iraqis out of work and the potential for industrial growth is limited until the security situation improves and foreign direct investment is injected.

Cuban industry could suffer a similar fate depending on the level of turmoil that is experienced in the transition to democracy. Functional Cuban industries could be pillaged as retribution against the Castro regime or as a means of survival until conditions improve. As conditions do improve small- and even medium-sized import-substituting

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<sup>164</sup> Looney, 34.

<sup>165</sup> Cuba. CIA-The World Fact Book. (2004), 7.

enterprises could begin operations with the proper financial backing and elimination of the restrictive policies of the former regime that sequestered the entrepreneurial spirit that is normally found in free-market economies. Opportunistic large-sized enterprises could take advantage of a well educated, though technologically deficient, labor force in labor-intensive endeavors. Therefore, making foreign direct investment profitable and secure, in addition to initiation of a low interest loan program for Cuban entrepreneurs, could reverse Cuba's industrial decline. Short-term protectionist policies would also help to foster growth until Cuban industry is once again capable of competing in the international markets.

#### **4. Revitalize a Declining and Neglected Agriculture Sector**

This aspect of the Iraqi economy was in total disarray, which is not the case with Cuba compared to the current conditions in Cuba. This is not to say that the agricultural sector in Cuba is by any means a shining example of a modern system of agricultural productivity. Our earlier look at Cuban history clearly shows that the Cuban agricultural sector has been the one aspect of the island's economy that has held somewhat steady over the years. Even though Cuban agriculture has been successful in the past, the industry is still in great need of modernization. The big four agricultural industries within Cuba-sugar, coffee, tobacco, and cattle-need to be brought up to date with 21<sup>st</sup> century technology and methods. Greater productivity through privatization and technological updates could bring in better returns than under have been seen under the Castro regime, which has severely mismanaged this important sector of the Cuban economy with quota systems and fiscal irresponsibility. Limited investments in this sector could significantly revitalize the productivity of the agricultural sector and make the Cubans more agriculturally self-sufficient.

#### **5. Propel an Economy based on Cash, Barter, and International Assistance**

Iraq has suffered through more than a decade of economic sanctions, much as Cuba has for the past four decades. Given the combination of economic sanctions and limited technological advancement, both countries' economies have been forced to revert to the more simplistic cash and barter system. After so many years of trade being conducted with this more simplistic system, there is a general distrust in any other form of trade or commerce, which only exacerbates each country's underdevelopment

problems. The influx of international aid filled the gaps that these weakened or mismanaged governments could not or would not fill themselves, but with rampant graft and corruption, neither government nor economy was trusted by its own people.

A natural outgrowth of the development of a free-market economy will be an increase in the technological advancements that make other forms of commerce possible. As the power supply in Cuba becomes more dependable, perishable items can be held in quantity without the worry of loss due to brown- or blackouts. Furthermore, a dependable electric supply can permit computerization and electronic commerce. Electronic commerce permits diversification and expansion of markets. A more advanced Internet capability can allow electronic banking, easier use of credit cards, and credit can be granted more efficiently. However, the technological advancements that the Cubans develop will only be as powerful as the government's ability to supply the infrastructure that supports their use. A democratic government of Cuban can only expect to move out of the outdated cash and barter system if it can support the modernization of its electrical power, communication, and automation systems. Without modernization, the Cuban government will not provide the banking, commercial, and industrial sectors of the Cuban economy what they most need.

#### **6. Reestablish a Consuming Middle Class**

In both Iraq and Cuba, there is a significant division between those who are living in poverty and those who are not. This division is as much a political division as it is an economic division. For both countries, political or religious affiliations, position in the dominant party have been the dominant cleavages. Additionally, governmental policies have often denied the freedoms that would allow an economic middle class to flourish by consolidating power and wealth in the hands of the political elite.

However, with the opening of the Cuban economy, as has been done with the lifting of sanctions in Iraq, individual Cubans can potentially begin to turn business ideas into reality. A rise in the number of small businesses can increase the amount of disposable income that is available to the average Cuban with the help of small business loans. This increase in spending will allow other business to prosper, and as individuals from these small enterprises become increasingly successful, a stratum of middle class Cubans will develop. This will not be an overnight process and it will be heavily

dependent upon the effort the individual Cuban puts into his enterprise as to the overall speed with which the middle class develops. As the Cubans grasp the reality of an open market economy, we will see greater similarities with other democratic countries, and presumably a more diverse economic structure and a higher standard of living.

#### **7. Diversify an Economy that is Dependent upon a Single Commodity**

Iraq has oil and Cuba has sugar. These single resources have been the lifeblood of each country for decades. A beacon of hope for Cuba is that tourism is diversifying the economy to the point that it is proving more profitable than sugar. Additionally, if the oil exploration off the Cuban coast proves to be successful, other ancillary industries associated with the oil industry can be developed and expanded, with the potentially cheaper labor costs usually found in a transitioning democracy. The privatization of the state-run sugar industry can also make it financially advantageous for other sectors in agriculture and manufacturing to expand.

Naturally, as the Cuban people begin to consolidate more disposable income, small business will develop to fill the niches that were once nonexistent or fell into the realm of the black market under the Castro regime. With the development of a free-market economy, it will only be a matter of time before the entrepreneurial spirit takes hold and Cuban markets become more highly diversified. The new government will have to ensure that new laws and policies do not stifle growth or diversification. The favoritism that ran rampant under Castro will have to be eliminated to ensure that all Cubans are given an equal opportunity to prosper. Economically irrational bias and favoritism for or against an individual industry will have to be eliminated so that the economy can grow naturally without the restrictive measures the Cubans have experienced for over four decades under Castro.

#### **8. Replace Graft and Corruption with a Streamlined Government**

As part of the transition to democracy in Iraq, all vestiges of the Hussein regime except those essential to the operation of key public services were removed to revitalize the democratic spirit and protect against Baathist domination of the new government. At a minimum in Cuba, those officials known to be corrupt and hard-line members of the CCP will have to be removed, with the exception of those essential to the operation of key public services. Essential to the transition is to start with as clean a slate as possible;

otherwise, vestiges of the previous regime can have a significant influence on the shape, representativeness, and transparency of the new government.

For the Cubans to buy into the new government and democracy, it is vital that the post-Castro government be transparent in its formation, operation, and system of checks-and-balances. The level of transparency instilled in the newly democratic Cuban government will also assist with the level of foreign direct investment that is offered to the new administration as a means of boosting the economy. Transparency instills confidence in the minds of the Cuban people that an honest and forthright government represents them. As the level of trust in the new government rises, the Cuban people can orient their efforts to the rebuilding of their country's infrastructure and economy. As the level of transparency becomes apparent to the international community, those foreign enterprises watching Cuba for profit potential can be assured that their investments in Cuba will be protected from corruption and graft.

#### **9. Privatize Inefficient Public Enterprises**

Large sectors of the Iraqi and Cuban economy have been public enterprises for several decades. The expected inefficiencies that are often found in state run enterprises are easily found in both countries. Without the threat of bankruptcy, chronic mismanagement, and government subsidies, neither country was able to maintain technologically advanced state-run enterprises. The state-run enterprises that did exist were a burden on each government, draining public funds that could have been used elsewhere to improve the standard of living of the populace.

Through the privatization of most of Cuba's state run enterprises, the enterprises could be more efficiently managed and overall performance improved. The revenue received from the sale of Cuban government-owned enterprises could help ease the pressure on the newly democratic government to meet its restrictive budgetary constraints and eliminate the need for the government to finance new investments and ongoing deficits from the enterprises.

With the exception of the Cuban health care system, which is one of Cuba's real successes, privatization will most likely be necessary for most public enterprises. As has been previously stated, a rapid privatization in which the goal is to attract private investors and foster the re-emergence of a domestic enterprise sector is the more



appropriate means of handling the transition from a state-controlled to a free market economy. While rapid privatization was not that successful in the former Soviet Union, support from the United States and the Inter-American Development Bank can help the less formidable task of privatization in Cuba to be a success.

## **F. RECOMMENDATIONS**

A newly democratic Cuba will have to deal with the aftermath of a socialist government that has sacrificed economic gains in the name of the revolution while also facing problems that are common to any monoculture export economy. Primarily, the new government will be confronted with an economy that suffers from an extreme division between the relatively efficient export enclaves and inefficient domestic sectors, and a standard of living that remains at a level lower than that experienced prior to the depression of the early 1990s. This is all in spite of an increase in foreign direct investment and a large influx of tourism dollars.

However, once the United States allows relations to normalize and the Cuban government displays its intent to meet the requirements of the Cuban Liberty and Democratic Solidarity Act of 1996, with the repayment of debts from the nationalization of U.S. property and assets in the 1960s, the economic future of Cuba holds great potential. The demise of the Castro regime and relaxation of the U.S. embargo restrictions will likely bring an enormous volume of U.S., Cuban-American, and further international investment into Cuba. These changes can possibly reverse the trend of Cuba's continual dependence on sugar production, allowing it to then pay its own way, reduce its external dependence, and evolve into a vibrant member of the world economic community and the Western Hemisphere's markets in particular.

After analyzing this problem of rebuilding the Cuban economy through the lenses of the Washington Consensus and Robert Looney's reconstruction tasks, it is evident that Looney's tasks are directed more towards the problems Cubans will face in the immediate aftermath of a violent transition. Looney's reconstruction tasks are once again: repair a wrecked and neglected banking system; service and restructure national debt; resurrect a whole spectrum of dilapidated industries; revitalize a declining and neglected agricultural sector; propel an economy based on cash, barter, and international assistance; reestablish a consuming middle class; diversify an economy that is dependent

upon a single commodity; replace graft and corruption with a streamlined government; and privatize inefficient public enterprises.<sup>166</sup> In contrast, the Washington Consensus takes a more general approach, which will likely have greater utility when Cuba seeks to extend its reach into the international markets. The ten points of the Washington Consensus are once again; fiscal discipline, public expenditure priorities, tax reform, exchange rates, property rights, deregulation, trade liberalization, privatization, foreign direct investment, and financial liberalization. There is the obvious overlap that exists between these two sets of analysis, but Looney's approach appears to be the one those responsible for the initial nation-building efforts should embrace. As the Cuban economy begins to display concrete signs of recovery, it may then be appropriate to transition to the Washington Consensus for the further reconstruction and modernization of Cuba.

As Looney suggested for Iraq, and considering the potential state of disarray the Cuban economy will be in at the time of transition, dollarization would be the best monetary system for Cuba to adopt during the initial stage of reconstruction. Its stabilizing effects, while making limited demands on the BCC and money managers, would be the most beneficial until the Cuban peso can be brought back into circulation. Issuing a new peso may not be necessary considering the volume of trade conducted with dollars at this time, though it might be important for reasons of national identity and pride. During the mid-term stage of the reconstruction process, when the new Cuban government is prepared to issue the Cuban peso thus transitioning from dollarization, the establishment of a U.S. backed currency board would be the best option to handle monetary/exchange rate policy while the BCC rebuilds and modernizes. This system would provide Cuba with price stability. It would also be consistent with the economy's gradual liberalization and integration into the world economy. Moreover, it would restore foreign confidence in Cuba's ability to provide a stable environment for investment. As with Iraq, this would not be the long-term solution and a more flexible system would be necessary.

As Cuba's past has born witness, sugar has been a valuable commodity. The sugar industry is an essential part of Cuba's rebirth as well. Therefore, the long-term stability of this key resource needs to be protected from price instability, weather

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<sup>166</sup> Looney, 33.

phenomena, and lean production years. As Looney suggested for Iraqi oil, it would be advantageous for Cuba's long-term prosperity to establish a sugar stabilization fund to help weather mitigate fluctuations in sugar revenues and stabilize exchange rates.<sup>167</sup>

In the end, the revitalization of the Cuban economy will come down to the average Cuban's willingness and ability to put out the effort to make the changes that are necessary to foster economic prosperity. Planes full of cash and container ships loaded with modern technology can only go so far in the improvement of the Cuban's economic situation. For the United States to be able to exit from a deep entrenchment in Cuban economic affairs, it will be necessary for the U.S. rebuilding effort to break the bonds of Castro's socialist ideology and tap into the Cuban desire for an improved livelihood. We must foster an environment where ingenuity and initiative drive economic development, not a centralized economic plan. Markets must be allowed to develop without interference from the former regime's political and economic elites. The new democratic government's policies must be designed so that they are conducive to economic development. Once the Cuban people have realized their own potential in a free-market economy, they will be able to develop their economy based on the country's developmental needs and not the will of a government half way around the world to which they are financially obligated. As important as it will be for Cubans to embrace a new political process, they will need to embrace economic changes as well.

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<sup>167</sup> Looney, 41-42.

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## IV. CONCLUSION

As Linz and Stepan note, “the goal of democratization is a political regime in which democracy as a complex system of institutions, rules, and patterned incentives and disincentives has become, in a phrase, ‘the only game in town.’”<sup>168</sup> With Fidel Castro’s demise growing ever closer, the Cuban people will likely be trying to play the democratization game in the not so distant future. However, Cuba’s weak economy, with its reliance on sugar and tourism, may prove to be a long-term destabilizing factor.

If the economy remains weak during the transition to democracy, then the possibility of a military coup d’etat is always prevalent as popular support usually hinges on a government’s ability to foster economic development. Though this trend may not be as prevalent in the Eastern European countries that have recently transitioned to democracy, it remains a concern based on the frequency of military coup d’etats in Latin American history. If a government fails to foster economic development, it has often resulted in the military seizing power, especially in Latin America. As Donald Snow describes the relationship between political and economic development:

The relationship between political and economic development is intimate and reciprocal. Political democracy creates the freedom and openness in which economic enterprises flourishes; this, in turn, helps create a willing, self-interested, self-motivated work force that nurtures economic prosperity. However, democracy unaccompanied by economic well-being will remain fragile and tentative. Economic well-being provides the nurturing ground of contentment and the seedbed for further political growth. The two phenomena together form the long-term foundation for stability.<sup>169</sup>

Therefore, it is intrinsic that the United States and the international community shore up Cuba’s economy, as part of the transition to democracy to prevent a catastrophic collapse that can lead to military intervention. As Diamond notes, “a [democratic] transition is completed only when the freely elected government has full authority to generate new policies, and thus when the executive, legislative, and judiciary powers

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<sup>168</sup> Linz & Stepan, 15.

<sup>169</sup> Snow, 202.

generated by the new democracy are not constrained or compelled by law to share power with other actors, such as the military.”<sup>170</sup>

It is important, maybe not so much for security reasons but in the name of what is right and fair, that the United States be involved in the rebuilding of Cuba in a post-Castro era after more than four decades of U.S. political and economic sanctions imposed on the Cuban people. U.S. involvement in the rebuilding of Cuba is not only a Cuban issue but a U.S. issue, as U.S. corporations are in need of new markets and the Cuban economy is in such desperate need of modernization and diversification. Therefore, it only seems natural that the two come together again after forty years. In the end, greater U.S. participation will hopefully reverse the trend of Cuba’s continual dependence on sugar production, reduce its external dependence, allow it to pay its own way, and evolve into a vibrant member of the world’s economic community.

As has already been discussed, the situation in Iraq bears watching as an example of things to come for Cuba. The marked similarities between Saddam and Fidel’s regimes are quite striking and the lessons learned about democratization in Iraq will likely be quite applicable to Cuba. While not all U.S. efforts in Iraq have seen equal success, we can at least learn from our mistakes and make a better-educated effort in Cuba. We, as a nation, cannot afford to make the same mistakes twice, especially when we consider the strong ties the Cuban exile community still have to their homeland and the political influence they carry in U.S. politics. We must remember that our efforts in Cuba have not been stellar to this point. Diplomatic efforts have not brought Castro in line with our democratic ideology. Nor have they brought greater freedom to the Cuban people. Propaganda efforts have not led to the popular uprising in Cuba that so many hoped, for decades, would come. Military intervention at the Bay of Pigs proved costly not only to the members of Brigade 2506, but to American international prestige as well. The economic embargo, in effect since October 1960, has not led to the catastrophic collapse of the Cuban economy that so many had expected.

From a Department of Defense (DoD) perspective in this post-Castro Cuban conflict scenario, the experience gained in Iraq will be an essential element to U.S. support of a democratic Cuba. The Department of Defense will likely be called upon to

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<sup>170</sup> Diamond, 1997, xxi.

serve many of the same functions in Cuba that it has served in Iraq, such as security of key facilities, rebuilding the military, rebuilding critical infrastructure, organizing elections, and providing basic necessities. While Cuba's close proximity to the United States will alleviate much of the logistical burden that was experienced in Iraq, the DoD will probably still take the nation-building lead and assume much of the associated costs. If there is a prolonged insurgent campaign as we have seen in Iraq, it will once again test American resolve and add to an ever-growing national debt. U.S. military interests would be best served by rapidly quelling any and all resistance, establishing an interim government until a democratically elected government can assume power, conducting a handover key functions to the appropriate Cuban authorities, and leaving behind the smallest force possible to maintain the democratic transition process.

Though this thesis has taken a certain perspective in the way it looks at the democratic transition environment in post-Castro Cuba, following a destructive and chaotic transition of power, many of the democratic and economic theories remain applicable. The major distinction appears to be that any post-conflict scenario has to be met with greater flexibility because we cannot know now what the priorities are going to be. What needs to be fixed or rebuilt will depend on the severity of the damage to the political and economic infrastructure. The work of the theorists selected for this thesis have been helpful in opening doors into what is relevant during the rebuilding and democratization process, but as was expected there is no singular solution for how to achieve democracy and a free-market economy. Nevertheless, the *mode of transition to democracy remains as important as ever* because as Karl states:

The arrangement made by key political actors during a regime transition establish new rules, roles, and behavioral patterns, which may or may not represent an important rupture with the past. These, in turn, eventually become the institutions shaping the prospects for regime consolidation in the future. Electoral laws, once adopted, encourage some interests to enter the political arena and discourage others. Certain models of economic development, once initiated through some form of compromise between capital and labor, systematically favor some groups over others in patterns that become difficult to change. Accords between political parties and the armed forces set out the initial parameters of civilian and military spheres.

Thus, what at the time may appear to be temporary agreements often become persistent barriers to change.<sup>171</sup>

Karl and the other theorists have simply given those responsible for nation-building in a post-conflict Cuba some key factors that need to be considered, as we get ready to support a transition to democracy. As a further example, Linz and Stepan list the following five interconnected and mutually reinforcing conditions that must be present, or crafted, in order for a democracy to consolidate:

First, the conditions must exist for the development of free and lively civil society. Second, there must be a relatively autonomous political society. Third, throughout the territory of the state all major political actors, especially the government and the state apparatus, must be effectively subjected to a rule of law that protects individual freedoms and associational life. Fourth, there must be a state bureaucracy that is usable by the democratic government. Fifth, there must be an institutional society.<sup>172</sup>

A democratic Cuba remains a relevant national U.S. interest, though maybe not a vital interest. The amount of money and man-hours invested in trying to orchestrate the succession of Castro has been considerable over the years. Fortunately, the elimination of the Soviet-Cuba relationship has made Cuba a country of interest based more on its economic potential rather than its risk to national security. Politically, our goal remains a true democratic transition in Cuba. But behind closed doors, it is likely that Cuba is considered more of a potentially vital economic rather than political interest. When you realize that the United States has invested in forty years of sanctions and embargoes against Cuba, it is easy to see why democracy in Cuba is an issue that will be on the U.S. political agenda for many years to come, especially with the strong lobbying power of the Cuban-American immigrant population.

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<sup>171</sup> Karl, 8.

<sup>172</sup> Linz & Stepan, 17.



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